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PART V

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

Office of Human Development

Office of Child Development

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HEAD START PROGRAM

Policies and Procedures Applicable to Financial Assistance

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

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HEAD START PROGRAM

Policies and Procedures Applicable to Financial Assistance

Pursuant to section 517(d) of the Headstart-Follow Through Act (Title V, Pub. L. 93-644), notice is hereby given of proposed grant administration policies and procedures applicable to financial assistance for Head Start Programs.

The purpose of these proposed grant administration policies and procedures is to provide a basic reference for use by Head Start project directors and other program officials concerned with business management of Head Start projects. They are generally based on the requirements set forth in 45 CFR Part 74, Administration of Grants, which establishes uniform policies and procedures for the administration of HEW grants and principles for determining allowable costs under HEW grants to the various types of grantee organizations; provisions of the HEW Grants Administration Manual; and on administrative requirements set out in Title V of Pub. L. 93-644.

The basis for the proposed policies and procedures is the belief of the Office of Human Development that it is desirable to provide readily available uniform administrative guidelines for all Head Start programs as well as for other OHD constituent programs, and to provide uniform interpretation and implementation, where applicable, of the Headstart-Follow Through Act and the Head Start regulations. The proposed policies and procedures are responsive also to a need to assist Head Start agencies to observe the administrative requirements and standards comtemplated and insisted upon by section 517(a) of the Act.

Included among the proposed policies and procedures which will have a major impact on Head Start grantees is the required adherence to certain financial management standards such as the maintenance of adequate financial records which permit comparison of actual expenditures with budgeted amounts, and which result in accurate, current, and complete disclosure of the financial results of the project in accordance with reporting requirements. (Part I, Chapter 3, Section I.) The proposed policies and procedures also describe the composition of acceptable matching funds including allowable in-kind contributions (Part I, Chapter 2, Section A). Proposed requirements for maintenance of records for in-kind contributions are also stated. Other proposed policies cover budget revision procedures (Part I, Chapter 1, Section L.); grant related income (Part I, Chapter 3, Section B.); record retention and access (Part I, Chapter 3, Section D.); reporting requirements (Part I, Chapter 4); procurement and property management standards (Part I, Chapters 5 and 6); and procedures related to grant closeout (Part I, Chapter 9).

The proposed policies and procedures based on the provisions applicable to all discretionary HEW grants as specified in the HEW Grants Administration Manual include policies and procedures related to general grantee eligibility describing the basis for proof of eligibility (Part I, Chapter 1, Section B.); use of unobligated grant funds (Part I, Chapter 1, Section F.); use of consultants (Part I, Chapter 3, Section F.); use of small businesses and minority-owned businesses (Part I, Chapter 8, Section B.); requirements for coordination with State and local communities under the project notification and review system (Part I, Chapter 1, Section I.); alterations and renovations (Part I, Chapter 3, Section H.); surveys and questionnaires (Part I, Chapter 3, Section P.); and use of audio-visual materials (Part I, Chapter 3, Section R.).

The proposed policies and procedures based on specific provisions of Title V, Pub. L. 93-644 cover labor standards (Part II, Subpart A, Chapter 3, Section F.), maintenance of effort (Part I, Chapter 3, Section Q.); grantee appeals (Part II, Subpart A, Chapter 3, Section G.); and guidelines and procedures for establishing wage comparability (Part II, Subpart A, Chapter 3, Section E.).

Additionally, several proposed policies and procedures are based on proposed rules which, it is expected, will be codified in 45 CFR Part 1301. They were published in the FEDERAL REGISTER on May 5, 1976, and are subject to modification prior to publication as final rules. They do, however, reflect policy now in effect and, as such, are currently applicable. Such policies and procedures include Head Start audit and accounting system certification requirements under which a Head Start grantee must perform, or have performed, an annual audit and must annually submit an audit report (Part II, Subpart A, Chapter 3, Section A.); the establishment of insurance requirements (Part II, Subpart A, Chapter 3, Section C.); and personnel administration standards for Head Start grantees (Part II, Subpart A, Chapter 3, Section D.).

Head Start grantees may submit written comments pertaining to these policies and procedures within thirty (30) days from the date of this Notice. Comments should be addressed to the Department of Health, Education, and Welfare, Office of Human Development, Division of Grants and Contract Management, Room 341F, South Portal Building, 200 Independence Ave. SW., Washington, D.C. 20201.

Dated: March 5, 1977.

SAUL R. ROSOFF,
Acting Director,
Office of Child Development.

Approved: April 18, 1977.

ARABELLA MARTINEZ,
Assistant Secretary for
Human Development.

OHD GRANTS ADMINISTRATION MANUAL

THE OFFICE OF HUMAN DEVELOPMENT

U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

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Introduction

This manual sets forth applicable administrative policies, procedures and guidelines to recipients of discretionary project grants awarded by program offices in the Office of Human Development except those funded by RSA. It is intended to serve as a basic reference for business officers and project directors of grantee institutions who are engaged in the administration and financial management of grants awarded by OHD program offices. The provisions of this manual are not applicable to construction grants.

The policies and procedures included herein are subject to applicable Federal laws and regulations and any changes made thereto adopted subsequent to its publication. In the event these policies and procedures conflict with applicable Federal laws, regulations and policies, the following order of precedence shall prevail:

1. Federal Legislation
2. Federal Regulations
3. Terms and Conditions of Grant Award
4. OHD Grants Administration Manual
5. HEW Grants Administration Manual

The principles upon which these OHD policies are based are prescribed in the following documents available from the U.S. Government Printing Office, Washington, D.C.

1. Code of Federal Regulations (Title 45)
   Title 45 includes the administrative and program regulations applicable to OHD grants. Compilations are available in booklet form from the U.S. Government Printing Office.
2. Federal Register
   This publication is used to announce proposed and final rule making issuances, including announcements, of new programs and regulations, as well as policies issued by the Office of Management and Budget, the Department of Health, Education, and Welfare and the Office of Human Development.
3. HEW Grants Administration Manual
   The HEW manual sets forth detailed requirements to which all HEW awarding offices must adhere in the administration of grant supported projects. It is available on a subscription basis, including new chapters as they are issued, from the U.S. Government Printing Office.

Grantee institutions are encouraged to maintain, or have access to, copies of the referenced documents which present both basic and detailed guidance on administrative policies and procedures to be used in the administration of OHD program grants.

Stanley B. Thomas, Jr.
Assistant Secretary for
Human Development

Organization of the Manual

The OHD Grants Administration Manual is structured into parts which differentiate between a) general policies, procedures and guidelines applicable to all projects supported by OHD discretionary grants, and b) provisions and requirements specific to projects supported under a particular OHD program. The directives included in Parts II through III either supplement or deviate from, and take precedence over, policies, procedures and guidelines included in Part I. Where an administrative matter is not discussed in the applicable program part or subpart, the provisions of Part I will apply. Therefore, grantees should be cognizant of the provisions of Part I and the requirements of the program part or subpart related to the program under which support is provided to have a complete understanding of administrative requirements applicable to its projects.

Glossary of Terms

BUDGET PERIOD

A period of time within an approved project period covered by a specific budget for which an award is made. Budget periods are generally for 12 month periods, but may be for a shorter or longer period, if appropriate.

CODE OF FEDERAL REGULATIONS (CFR)

The Code of Federal Regulations (hereinafter referred to as "CFR") is a series of books published by the Federal government which contain a codification of the general and permanent rules published in the *Federal Register* by agencies of the Federal government including HEW and OHD. The CFR is divided into 50 titles which represent broad areas subject to Federal regulation. Generally, regulations applicable to OHD programs may be found in Title 45. The CFR is available to the public by purchase on a subscription basis from the Superintendent of Documents, U.S. Government Printing Office. Additionally, it is available for public inspection and copying at the Department's central and regional office information centers pursuant to the Department's public information regulations (45 CFR Part 5).

DEPARTMENT OF HEW

The U.S. Department of Health, Education, and Welfare.

GRANT

Financial assistance to carry out a project, which is based on an approved program plan and budget.

GRANTEE

The agency, institution or organization to which a grant is made and which is accountable to the Federal Government for all project funds and non-cash contributions to the project, and for the performance of the grant supported activity.

GRANTING OFFICE

The office within OHD authorized to administer grants awarded under legislative or delegated authority.

GRANTS ADMINISTRATION MANUAL (GAM)

The staff manual (hereinafter referred to as the "GAM") published by the Department of Health, Education, and Welfare which sets forth policies for the administration of grants by agencies of the Department. The manual is available to the public by purchase on a subscription basis from the Superintendent of Documents, U.S. Government Printing Office. In addition, it is available for public inspection and copying in the Department's central and regional office information centers pursuant to the Department's public information regulations (45 CFR Part 5).

LOCAL GOVERNMENT

A local unit of government including specifically (i) a county, municipality, city, town, township, school district, council of governments, or other regional or interstate government entity; (ii) any agency or instrumentality of local government exclusive of institutions of higher education and hospitals.

NONPROFIT ORGANIZATION

An organization no part of whose net earnings may lawfully inure to the benefit of any shareholder or individual.

OHD

The Office of Human Development within the Department of Health, Education, and Welfare and its program and regional offices.

PRIOR APPROVAL

Written permission obtained from an authorized OHD official in advance of an act which would result in either (1) the obligation or expenditure of funds or (2) the performance of an activity under the grant supported project.

PROGRAM DIRECTOR/PROJECT DIRECTOR/PRINCIPAL INVESTIGATOR

A qualified individual designated by the grantee to be responsible for the overall direction of the project.

PROJECT

An activity supported by Federal funds and any required matching contribution in accordance with program legislation which permits the granting office to exercise judgment in approving the project, the project period, the grantee and the amount of the award. The term does not include activities supported by formula grants awarded to States having statutory entitlement to funds. Projects may be classified in several ways, e.g. on the basis of purpose (research, training, service, etc.). Set forth below is a brief glossary of commonly used designations.

Type of Project

Demonstration

A project to establish or demonstrate the feasibility of new methods or new types of services.

Research

A project to develop new knowledge or to evaluate existing knowledge in new settings.

Service

A project to support the cost of developing, organizing, establishing, providing or expanding the delivery of services.

Training

A project to support the increase in numbers of personnel trained in techniques pertinent to the delivery or to the performance of functions necessary to the development of such services.

Type of Grant

New

The initial grant made in support of a project requested on an application.

Continuation (non-competing)

A grant which provides support for a budget after the first budget period and during the approved project period.

Supplemental

An additional award to support activities carried on in a currently funded budget period.

Competing Extension

A grant to continue a project beyond the project period and based on successful competition with other projects.

PROJECT PERIOD

The total time for which support of a project has been approved.

SECRETARY

The Secretary of Health, Education, and Welfare or his designee.

STATE

As the term is defined in the specific program legislation authorizing project support; except that the term excludes State institutions of higher education, State hospitals and local governments.

Part I
OHD Administrative Requirements

Chapter 1

Application, Review, Award, and Amendment of Grants

A. APPLICATION PROCEDURES

1. GENERAL DISCUSSION

Applications and instructions for filing applications can be obtained from the granting office authorized to fund projects for which the application will be made. The instructions will include information regarding addresses to which completed applications should be sent, the number of copies required and deadlines, where established.

2. NEW GRANTS

New applications are those submitted for a project not currently receiving OHD support. The granting office will provide information regarding funding cycle, if any, and other information pertinent to the submission of an application.

3. CONTINUATION GRANTS

Applications for grants to continue project support beyond the initial budget period will be routinely mailed to the grantee several months before the beginning date of the next budget period. These applications should be submitted in accordance with program instructions and must include the original and (2) copies. If application forms are not received by the grantee at the proper time, it is the responsibility of the grantee institution to request them from the appropriate granting office. Continuation applications do not compete with new applications for funds.

4. SUPPLEMENTAL GRANTS

Applications to request support for additional activities or for other modifications to the current approved grant supported project may be obtained from the appropriate granting office upon request. Additional funds awarded as supplemental grants become part of the current year grant but do not necessarily represent a permanent increase in the funding level for the project.

5. COMPETING EXTENSION (RENEWAL) GRANTS

If a grantee wishes to apply for further support for the same project beyond the scheduled expiration of the approved project period, he should submit a competing project period extension application. Such an application is appropriate when the results of the original project seem so fruitful as to warrant support beyond that originally intended. If approved for funding in competition with new and other extension applications, the project will be extended and grant awards will continue to be made in support of the project during

the extended period. Any unobligated funds remaining from the earlier project will be available for use as determined by the responsible granting office during the extended project period.

6. WITHDRAWAL OF PENDING APPLICATION

An application for grant support may be withdrawn at any time by the applicant organization at the written request of an authorized official. Correspondence regarding withdrawal of an application should be addressed to the office which acknowledged receipt of the application.

B. ELIGIBILITY (GAM CHAPTER 1-00)

Office of Human Development programs award grants only to nonprofit organizations and State or local government agencies (including Indian Tribes). Nonprofit organizations which have not previously received OHD support must submit proof of their nonprofit status with the grant application. Any of the following is acceptable evidence of nonprofit status:

1. A reference to the applicant organization's listing in the Internal Revenue Service's most recent list of tax-exempt organizations described in Section 501(c) (3) of the IRS Code;
2. A copy of a currently valid Internal Revenue Service tax exemption certification;
3. A statement from a State taxing body or State Attorney General certifying that the applicant organization has a nonprofit status and that none of its net earnings may lawfully accrue to any private shareholders;
4. Any of the above proof from a State or parent organization, and a statement signed by the parent organization that the applicant organization is a local nonprofit affiliate.

In addition the above administrative eligibility requirements, several OHD grant programs have specific requirements relating to the applicant's organizational functions and ability to administer the activity for which the grant is being sought. Applicants should consult the appropriate program regulations to determine if such additional requirements apply.

C. GRANT AWARDS

Applicants whose projects have been approved for support by the OHD program office will be advised by a "Notice of Grant Awarded". This notice will include the grant number, the period for which the project is intended to be supported (project period), the amount of Federal funds awarded for the budget period and any special conditions under which the grant is made.

D. NOTICE TO UNSUCCESSFUL GRANT APPLICANTS (GAM CHAPTER 1-62)

Agencies and organizations whose grant applications have been disapproved or not funded will be promptly notified in writing. Notification of disapproval will be sent to the official who signed the application. Upon request, applicants will be provided a full explanation of the reasons for disapproval or inability to award a grant.

E. RECOMMENDED LEVEL OF SUPPORT

Application instructions may request grantees to provide estimates of the financial requirements anticipated to be necessary to support the project for additional budget

periods immediately succeeding the initial budget period. The granting office may choose to reflect on the "Notice of Grant Awarded" a recommended level of support for the project based on this information. The grantee may use the recommended level of support as the basis for requesting funds on a continuation application. However, such estimated amounts for continuation grants to not constitute a commitment by the granting office to award future funds beyond the initial budget period. Continued support for a program will be based on the grantee's anticipated needs, funds remaining from prior awards, the availability of congressional appropriations, compliance with the terms and conditions of the award, and satisfactory progress in the conduct of the project.

F. UNOBLIGATED BALANCES

At the option of the granting office, estimated or actual unobligated balances remaining at the end of a budget period may be treated in the following ways:

1. As an offset (deduction) from a continuation award for the current or a succeeding budget period if there is one;
2. As a carryover for use in the current budget period, in addition to the current grant award, for purposes requested and justified. Permission to use such funds, however, does not represent a permanent increase in the funding level; or
3. As a refund to the Federal government, if the unobligated balance is cash which has already been transferred to the grantee; or as a withdrawal of obligating authority for funds not drawn.

In no instance may a grantee use an unobligated balance in a budget period subsequent to that for which the funds were awarded without prior written approval from the authorized official of the granting office.

If the granting office permits use of the unobligated balance as an offset or a carryover to the current continuation award, a revised "Notice of Grant Awarded" will be issued reflecting that decision. However, if the granting office permits use of the unobligated balance as an offset in the succeeding budget period, the unobligated balance will be restricted from use in the current budget period unless prior approval in writing for its use is obtained. The "Notice of Grant Awarded" for the succeeding budget period will give consideration to this unobligated balance and its issuance will constitute the authority for the grantee to obligate these funds.

G. SALARY INFORMATION IN APPLICATIONS (GAM CHAPTER 1-470)

Applicants for grants from OHD programs which require the submission of salary rates or amounts for individuals in connection with proposed budgets, may request that such specific salary rates or salary amounts for individuals not be made available to nonFederal reviewers of the application. When an applicant makes such a request the specific salary rates must be identified separately on an individual page. Also, on a separate page, undetailed salary summary totals shall be provided and must include the following information:

1. The name of those key individuals (or position description when individuals have not been determined) identified in the program narrative who are expected to work on the project;
2. Position or job title;
3. Percentage of time devoted by these individuals to work on the project; and
4. The amount of salary support requested from the grant.

H. PROJECT PERIOD SYSTEM OF OBLIGATING FUNDS FOR DISCRETIONARY PROJECT GRANTS (GAM CHAPTER 1-85)

1. GENERAL

All OHD discretionary project grants, are funded in accordance with the Project Period System. Under this system, multi-year projects or multi-year portions thereof may be programmatically approved in their entirety, or a portion thereof, but funded in annual increments or budget periods subject to the availability of Federally appropriated and apportioned funds and continued satisfactory progress. A budget period is normally 12 months, except that the budget periods in certain circumstances may vary in order to permit granting offices to arrange advantageous anniversary dates.

The length of a project period is determined by the granting office on the basis of the length of time requested by the applicant to complete the project and the frequency of competitive or indepth review desirable for proper management of the project.

2. EXPENDITURE OF FUNDS

Subject to limitations or restrictions which may be imposed by the granting office, funds awarded to a grantee remain available for obligation by the grantee at any time during the project period. Grantees may not obligate grant funds to conduct program operational activities subsequent to the termination date of the project. However, funds obligated during the project period may be expended subsequent to the termination of the project. OHD assumes no liability for project costs which exceed the total amount of Federal funds authorized on the Notice of Grant Awarded for that budget period.

Grant funds may not be used to reimburse obligations or expenditures made prior to the beginning date of an initial grant for a new project unless preaward costs are specifically provided for in the approved budget and have been approved in writing by the granting office prior to being incurred. The grantee may, at its own risk, prior to the beginning date of a continuation award, incur expenditures which are considered essential to the conduct of the project. OHD will allow reimbursement of such expenditures from the continuation grant when awarded, provided that the items concerned are incorporated in the approved budget of the continuation grant, and, when required, prior approval was obtained. If the continuation grant is not approved and funded, OHD assumes no liability to reimburse the grantee for such expenditures.

I. PROJECT NOTIFICATION AND REVIEW SYSTEM (GAM CHAPTER 1-40)

1. GENERAL

Several Office of Human Development grant programs are subject to the revisions of the Project Notification and Review System established by Part I of Attachment A to OMB Circular A-95. A listing of covered programs is included as Appendix B to this manual.

2. NEW PROJECTS AND COMPETING EXTENSIONS

The project notification and review system requires applicants for grants that support projects which have not previously received support, and applicants for competing extensions, to coordinate their plans at the local level through the State and areawide clearinghouse. Names and addresses of clearinghouses are available from the appropriate granting office. Potential grant applicants must notify *both* the State and areawide

clearinghouse at the earliest feasible time of their intent to apply for Federal assistance. If the application is for a statewide project which does not affect areawide or local planning and programs, the notification need be sent only to the state clearinghouse. Many clearinghouses have their own notification forms and instructions, and applicants should obtain this material directly from them. If the clearinghouses have no prescribed form, applicants should provide, at a minimum, the following information:

a. Name, Address & Telephone numbers of applicant organizations;
b. Location of the Project to be administered; and
c. Brief description of the project, including:
   (1) Purpose;
   (2) Cost;
   (3) Beneficiaries;
   (4) Impact on the environment;
   (5) Federal program under which assistance will be sought;
   (6) Anticipated date of application Submission; and
   (7) Name of contact person

Clearinghouses have thirty (30) days in which to comment on plans and resolve problems with the applicant and have an additional thirty (30) days to comment on completed grant applications. Grant applications must include with the application submitted to the granting office:

a. Any comments made by or through the clearinghouses, with a statement that such comments have been considered, or
b. A statement that no comments have been received.

Applications which do not include this information will be returned as incomplete.

3. NON-COMPETING CONTINUATIONS

Generally, applications for non-competing continuations are not subject to the full notification and review requirements. If the project has been submitted to the clearinghouse for review initially, or at some time during the project period, and there are no substantive changes in the continuation request, subsequent clearinghouse review is not required unless the clearinghouse requests re-reviews. Substantative changes to the application which will require full clearinghouse review, irrespective of such a request by the clearinghouse, include activities which alter the direction, nature, scope, location or scale of the project or activity being supported, or which might involve changes in the beneficiary population or target group being served. This does *not* include purely administrative changes: accounting, auditing, personnel, contractinc, etc. that deal with project management.

4. INDIAN TRIBES

Applications from Federally recognized Indian Tribes are not subject to the requirements of the Project Notification and Review System. However, Indian Tribes may voluntarily participate in the system and are encouraged to do so.

J. PROJECT CHANGES

1. CHANGE OF SPONSORSHIP

Under certain circumstances, the granting office may authorize a change in grantee. Such reasons may include:

a. Termination for cause;
b. Voluntary termination by a grantee; and
c. Change of Grantee Name

In the event of a change resulting from a termination, the terminating grantee will accomplish the required grant closeout procedures in accordance with the provisions of Chapter 9 of this Part. Applications for replacement grantees will be submitted in accordance with Chapter 1 of this Part and applicable program instructions.

When only a name change is involved, the grantee will provide the following documents to the granting office:

a. A copy of the instrument which affected the name change, authenticated by a proper official of the State having jurisdiction;
b. An opinion of counsel for the grantee that the change of name was properly effected in accordance with applicable law; and
c. A list of all affected OHD grants accompanied by a new application face page for each grant showing new grantee name and new principal officers, if any.

Receipt of the above documents and acknowledgements of acceptance by the granting office will constitute a name change agreement.

2. DENIAL OF REFUNDING

A grantee's application for a non-competitive continuation (refunding) may be denied by the granting office. Such denial may be for cause or for inability of the granting office to continue support of the project. Notification will be sent to the official who signed the application and will include a full explanation of the reasons for denial. Some OHD programs provide specific procedures under which a grantee may appeal a denial of refunding. Such procedures may be found in applicable program regulations.

3. PROJECT EXTENSIONS

A grantee may request an administrative extension of the project period when it is determined that a project may not be effectively brought to a close within the time allotted. The request must be in writing to the granting office and must be submitted and approved prior to the termination date of the project as originally anticipated. Such a request must state the reasons for extending the project and the new anticipated completion date. Extensions may be approved not to exceed a total of twelve (12) months.

4. CHANGES IN SCOPE

Grantees may not, without written approval by the granting office, make changes in the project which would alter the program objectives as stipulated in the approved application, the direction of the project, the type of services delivered or training provided, or which might result in a deviation from the intent of the legislation which authorized the award of the grant. In the event of uncertainty, questions should be referred to the granting office for final determination.

K. REVIEW AND DIRECTION OF PROGRAM EFFORT — RESEARCH, DEMONSTRATION AND TRAINING GRANTS ONLY

1. CHANGES IN SCOPE OF PROJECT

The Project Director (Principal Investigator) may make changes in methodology, procedures, or other aspects that would expedite achievement of the project's objectives as long as the original objectives are not changed.

Grantees must request prior approval for changes in the objectives of the project. In the event the methodology is stated as a specific objective of the work, the approval requirement also applies to changes in methodology.

2. TEMPORARY ABSENCE OF PROJECT DIRECTOR (PRINCIPAL INVESTIGATOR)

When absence of the Project Director is anticipated to exceed three consecutive months, plans for the conduct of the project during the absence must be approved by the granting office. A request for such approval must be signed by an authorized official and submitted at least 30 days before the departure of the Project Director, or as soon as it is known that the absence will occur. The grant may be terminated if the arrangements made by the grantee are not approved by the granting office.

3. WITHDRAWAL OF PROJECT DIRECTOR (PRINCIPAL INVESTIGATOR)

Granting offices must be notified 30 days in advance of the withdrawal of the Project Director. The grantee, submitting such notification, may request that:

a. The grant be terminated, in which case the grantees must also submit a final "Progress Report," a "Financial Status Report," and a "Final Invention Statement;" or

b. The project be continued under the direction of another Project Director. Such a request must include a biographical sketch of the proposed Project Director describing qualifications and must be submitted to the granting office for re-evaluation of the project. The appointment of a new Project Director must be approved by the responsible granting office. The grant may be terminated if the qualifications of the proposed individual are not approved.

4. PHYSICAL RELOCATION OF PROJECT DIRECTOR (PRINCIPAL INVESTIGATOR)

When the Project Director moves from one domestic institution to another, the project may be supported at the new institution without competitive review for a period up to the remainder of time previously approved for support, provided that (1) the original institution agrees in writing to relinquish the project, (2) the investigator plans no significant change in research objectives and level of expenditure from that described in the project previously approved, and (3) the new institution submits an application for support of the project. If (1) or (2) of the above provisions do not apply, the application will be reviewed as a new application and will compete for available funds.

L. BUDGET REVISIONS

1. GENERAL

The approval of a project budget by the granting office constitutes prior approval for the expenditure of funds for specific items included in that budget. Except as provided in Paragraph B below, grantees may make revisions between and among budget categories within the total direct costs budget of the grant to meet unanticipated requirements, provided that grant funds will be used for purposes consistent with Federal regulations or policies governing the program.

2. PRIOR APPROVAL REQUIREMENTS

OHD policy for all grantees relative to budget revisions is the same as that stated in Subpart L of Title 45 CFR Part 74, except that in accordance with the option provided in Paragraph (d) of Section 74.102, OHD has elected to waive Paragraphs 74.102(b)(3) and (b)(4). Thus, for all discretionary project grants, grantees must request prior written approval for budget revisions whenever:

a. The revisions result from changes in the scope or objectives of the grant supported project

b. The revisions indicate a need for additional Federal funding;

c. The revisions involve the transfer of amounts budgeted for indirect costs to absorb increases in direct costs;

d. The revisions involve any purpose disapproved or restricted as a condition of the grant award.

e. The revisions would cause the expenditure of funds for any items which require prior approval under the applicable cost principles contained in the appendices to 45 CFR Part 74, or other duly promulgated policies of HEW and OHD, including:

(1) The acquisition of any item of equipment. Equipment is defined as an item of nonexpendable personal property having a unit cost of $300 or more and a life expectancy of one year or more. However, institutions of higher education are required to obtain prior approval for the acquisition of equipment only where research equipment has a unit acquisition cost of $1,000 or more, or in any instance where the total cost of all equipment in a budget period exceeds 125 per cent of the amount allotted for the permanent equipment category.

(2) Transfer of funds to cover the cost of alterations and renovations of facilities to accommodate grant supported activities.

(3) Domestic travel in any budget period in excess of $500 or 125 percent of the amount originally budgeted for domestic travel, whichever is greater. Approval for foreign travel will be given only in those cases where it is demonstrated that: (1) such travel is essential to the purpose of the grant; (2) when possible, the travel is assigned to personnel already traveling on other business; and (3) travel is by U.S. carrier wherever feasible. Travel to Canada, Guam, American Samoa, Puerto Rico, the Virgin Islands, the Canal Zone, and the Trust Territory of the Pacific Islands shall not be considered foreign travel for the purpose of this policy. Request for the approval of foreign travel must be sent to the responsible granting office and must include the following information:

(a) Title and brief description of the project;

(b) Complete itinerary: All dates, destinations, and carriers;

(c) List of all persons traveling;

(d) Detailed itemization (or estimate) of the costs including air fares, per diem, other costs, etc., of the travel;

(e) Justification of the requested travel in terms of the success or failure of overall project purposes and objectives;

(f) Proposed activities or participation of each traveler and why it is indispensable.

(4) Funds rebudgeted in or out of traineeships;

(5) Funds used to produce any audio visual materials for viewing by the general public (See Chapter 3).

Grantees shall submit requests for budget revisions requiring prior approval on the same budget forms used for grant applications, although changes as indicated in Item (2.e) above may be requested by letter. The request must include an explanation of the changes requested, and must be signed by officials of the grantee who are authorized to approve program plans and sign applications for funding.

3. REVIEW AND APPROVAL OF REQUESTS FOR BUDGET REVISIONS

Within 30 days from the date of receipt of the request for budget revision, the granting office will notify the grantee in writing whether or not the revision has been approved. If the revision is still under consideration at the end of the 30 day period, the granting office will inform the grantee in writing as to when a decision can be expected.

Chapter 2

Cost Sharing, Matching and Payments

A. COST SHARING AND MATCHING (45 CFR 74, SUBPART G)

1. GENERAL DISCUSSION

Most Office of Human Development grant programs require the grantee to contribute a portion of the total cost of the project. The specific percentages of maximum Federal financial participation may be found in applicable program regulations.

2. DEFINITIONS

a. Project costs. All allowable costs incurred by a grantee in accomplishing the objectives of a project during the project period, including allowable in-kind contributions made by third parties. Project costs are limited to allowable costs as provided for in Subpart Q of 45 CFR Part 74.

b. Matching share. That portion of allowable project costs not borne by the Federal government.

c. Cash contributions. The grantee's cash outlay, including the outlay of money contributed to the grantee by third parties, i.e., public agencies and institutions and by private organizations and individuals.

d. In-kind contribution. The value of noncash contributions provided by the grantee, by other public agencies and institutions, and by private organizations and individuals. In-kind contributions may consist of charges for real property and equipment and the value of goods and services directly benefiting the grant program and specifically identifiable to it.

3. COMPOSITION OF NONFEDERAL SHARE

a. Allowable costs to satisfy matching or cost sharing requirements may include:

(1) Charges incurred by the grantee as project costs, including noncash items such as depreciation or use charges for grantee owned property as determined in accordance with applicable cost principles and indirect costs in excess of those allowable as a charge to the grant;

(2) Project costs financed with cash contributed or donated to the grantee by nonFederal third parties (or by the Federal government where Federal legislation so allows);

(3) Project costs represented by services and real or personal property donated to the grantee by nonFederal third parties (in-kind). Such costs are acceptable as part of the nonFederal share when they are:

(a) identifiable from grantee records;

(b) are not included as contributions for any other Federally assisted program; and

(c) are necessary and reasonable for proper and efficient accomplishment of project objectives.

b. Matching or cost sharing may not be financed by other Federal funds or by non-Federal funds that are applied to match other Federal funds, except as may be specifically authorized by Federal legislation. Costs must also be allowable under the applicable cost principles and must be necessary and reasonable for the proper and efficient accomplishment of project objectives. Allowable contributions to satisfy matching requirements may be in any budget category or combination of categories which are allowable under law and applicable cost principles.

c. The same contribution may not be counted towards two or more projects. However, when a contribution is related to two or more projects, it may be prorated among the projects involved.

4. IN-KIND CONTRIBUTIONS (WHEN PERMITTED UNDER THE SUBSTANTIVE STATUTE INVOLVED)

a. Volunteer Services.

(1) Volunteer services may be furnished by professional and technical personnel, consultants, and other skilled and unskilled persons. Each hour of volunteered service may be counted if the service is an integral and necessary part of an approved project.

(2) Rates for volunteers should be consistent with those regular rates paid for similar work in other activities of the grantee. In cases where the kinds of skills required for the project activities are not found in the other activities of the grantee, rates used should be consistent with those paid for similar work in the labor market in which the grantee competes for the kind of services involved.

(3) When an employer, other than the grantee, furnishes the services of an employee, these services should be valued at the employee's regular rate of pay (exclusive of fringe benefits and overhead cost), provided these services are in the same skill for which the employee is normally paid. If the services involve skills other than those for which the employee is normally paid, they should be valued according to the instructions in the preceding paragraph.

b. Donated real or tangible personal property (expendable and nonexpendable).

(1) Tangible personal property. Examples of tangible personal property may include office equipment, supplies, or workshop and classroom supplies. The amount to be allowed as matching when tangible personal property is donated (donor transfers Title) to the grantee shall be determined as if the grantee had purchased the materials and had paid the fair market value at the time of the transfer. Donated nonexpendable property is subject to the same prior approval requirements as purchased nonexpendable property.

(2) Donated real property (land and buildings). The value of donated real property (where donor transfers Title) shall be determined as if the grantee has purchased the property and had paid the fair market value of the property at the time of transfer. The amount allowed for matching purposes will be a depreciation or use charge based on this fair market value.

(3) Donated use of property. The amount which may be allowed as matching for property (real and tangible personal property) donated for use only (donor retains Title) shall be determined as if the grantee has rented the property and had paid the property's fair rental value.

(4) Appraisal. Grantees may be required to establish the value of real property through the use of an independent appraiser (e.g., a private realty firm or General Services Administration representative) and certified by a responsible official of the grantee.

c. Other Charges

Other necessary charges incurred specifically for the direct benefit of the project may be accepted as matching share provided that they are adequately supported and permissible under the law. Such charges must be reasonable and properly justified.

5. RECORD OF MATCHING CONTRIBUTIONS

a. Grantees must maintain accounting records which show the amount and nature of matching contributions. Contributions shall be accounted for in the same manner as Federal grant funds. In-kind contributions shall be fairly valued and will be accepted to the extent that the items would otherwise constitute allowable costs. Records supporting in-kind contributions from third parties must include the following: (a) documentation of the extent of volunteer services, supported by the same methods used by the grantee for its employees, and (b) documentation of the basis for determining the charges for personal services, material, equipment, buildings, and land.

b. Matching contribution records are subject to audit in the same manner and to the same extent as records dealing with the receipt and disposition of Federal grant funds.

6. RESEARCH GRANTS (GAM CHAPTER 2-140)

Recipients of research grants may select one of two alternative approaches to cost sharing: (1) Institutional Cost Sharing Agreement, or (2) the project-by-project method.

a Institutional Agreement – Such agreements cover the aggregate of all research grants awarded by agencies of the Department of Health, Education, and Welfare. The grantee agrees to maintain a stipulated average level of cost sharing for all covered projects each fiscal year. There may be no contribution on some projects provided the overall average is maintained through higher contribution on other projects.

Institutional cost sharing agreements will be negotiated by the U.S. Public Health Service in HEW on behalf of OHD. Usually, such agreements will cover all research grants and contracts subject to cost sharing awarded by HEW to a particular grantee organization: however, in unusual cases, separate agreements for individual departments or locations of a grantee organization may be negotiated if deemed to be advantageous. All projects subject to an institutional cost sharing agreement will incorporate that agreement by reference. In no case will individual cost sharing agreements be negotiated on projects that are covered by an institutional agreement.

The institutional cost sharing agreement will specify the grantee's contribution as an average percentage contribution on all covered projects. The adequacy of the grantee's overall contribution will be tested on the basis of the grantee's fiscal year. The average contribution on all covered projects during the fiscal year must be consistent with the level established by the agreement. During a given fiscal year there may be no contribution (or only a token contribution) on some projects, provided that the overall average is maintained through higher contributions on other projects. However, there must be at least some cost sharing on every project (when considered over the total term of the project period as a whole).

When submitting required financial reports on projects covered by an institutional cost sharing agreement, the grantee shall report on the Federal share of costs only. The grantee should also indicate in the remarks section of such reports that the project is subject to an institutional cost sharing agreement and the effective date of that agreement.

Unreimbursed indirect costs applicable to research projects subject to limitations on recovery of indirect costs may be combined with other grantee contributions for institutional cost sharing purposes. This principle also applies to unrecovered fringe benefits on projects subject to limitations on the recovery of fringe benefits.

Grantees requesting further information on institutional cost sharing should direct their inquiries to:

Cost and Audit Management Branch
Office of Administrative Management
Public Health Service
5600 Fishers Lane
Rockville, Maryland 20852

b. *Project by Project Agreements* – Cost sharing arrangements for individual research projects shall be negotiated separately with the granting office. Such arrangements will cover the entire project period (including all non-competing continuations or supplements) and will provide for the percentage of total project costs (i.e., the combined Federal and grantee non-Federal share) which the applicant proposes to contribute to the planned research. There may be no contribution in some years of the project period, provided that the agreed overall percentage for the project as a whole is met. Separate cost sharing arrangements will not be required for non-competing continuations and supplements.

The grant will not be awarded until the applicant and the granting office have agreed to a cost sharing percentage for the project. This agreed percentage will be specified in the "Notice of Grant Awarded" and will signify acceptance of the applicant's cost sharing arrangement.

If there is an early termination of the project period, the negotiated cost sharing percentage will apply to the actual period of Federal support. However, the granting office may at its discretion retroactively approve lower percentages to avoid unanticipated hardships on grantee institutions.

The amount of the grantee's cost sharing during the period covered by a "Financial Status Report" or "Report of Research Grant Expenditures" should be indicated on that report. If the grantee did not cost share during the period, he should write "no C.S." on the appropriate line of the report form.

B. GRANT PAYMENTS (45 CFR, PART 74, SUBPART K)

1. After receipt of a grant award, the grantee will be advised of the method to be used by OHD to make payments under the grant. The types of payment methods used are briefly described below:

a. *Letter of Credit*

A Letter of Credit authorizes a grantee to draw funds from the Treasury through a Federal Reserve Bank and the grantee's commercial bank. This method is used when *all* of the following conditions are met:

(1) there will be a continuing relationship between the grantee and OHD for at least a twelve month period *and* the total amount of advances to be received is $250,000 or more;
(2) the grantee has established, or demonstrated a willingness to establish, procedures that will minimize the time elapsing between the transfer of funds from the Treasury and their disbursement by the grantee; and
(3) the grantee's financial management system meets the standards for fund control and accountability prescribed in Subpart H of 45 CFR Part 74.

b. *Advance by Treasury Check*

An advance by Treasury check will be made to a grantee upon request or through the use of predetermined payment schedules. This method of payment shall be for all grantees whose awards are less than $250,000.

c. *Reimbursement by Treasury Check*

Reimbursement by Treasury Check shall be the method of payment when the grantee does not meet all the requirements for a Letter of Credit and does not qualify for advances by Treasury Check: However, the granting office may select this payment method if the grantee does not conform to the requirements prescribed in a.(2) and a.(3) above.

2. Request for Advance or Reimbursement

Grantees shall be authorized to submit, no less often than monthly, a request for advances or reimbursements when letters of credit or predetermined automatic Treasury check advances are not used.

3. Withholding Payments

Unless otherwise required by law, payments for proper charges made by grantees will not be withheld at any time during the project period unless: (a.) a grant has been suspended, or (b.) the grantee is indebted to the United States and collection of the indebtedness will not impair accomplishment of the objectives of any program sponsored. Under such conditions, OHD will, upon notice, inform the grantee that payments will not be made for obligations incurred after a specified date until the conditions causing the suspension are correct or the indebtedness to the Federal government is liquidated.

4. Instructions for Requesting Payments

a. *Division of Accounting Operations*

Grants which are paid by Treasury check paid through the HEW Division of Accounting Operations will receive instructions with the transmittal of the grant award. Generally, such payments are in advance and are based on the Grantee's fund requirements as stated in the application. Grants which are paid under a letter of credit will be provided with the necessary documents at the time the award is made.

b. *Departmental Federal Assistance Financing System (DFAFS)*

Grants which are paid by Treasury check paid through the DFAFS will receive instructions with the transmittal of the grant award. These payments will be based on the submission of a Recipient Monthly Cash Request Form (NIH-1522-4) which will be furnished to the grantee by the Department's Federal Assistance Financing Branch when the grant award is entered into the system. Grants which are paid under a letter of credit will be provided with the necessary documents at the time of award.

5. Cash Disbursement Reporting

Each of the above payment systems includes a requirement for reporting or verification of cash disbursed by the grantee. Failure of a grantee to comply with the appropriate reporting requirement may result in a decision to pay the grantee on a reimbursement basis rather than in advance.

Chapter 3

Financial and Administrative Requirements

A. GRANTEE ADMINISTRATIVE RESPONSIBILITIES

GENERAL DISCUSSION

In applying for a grant, the applicant organization agrees to administer the project in accordance with the governing OHD regulations and policies in effect at the time of award. Where the grantee organization has a policy not covered by OHD policy, or where the grantee policy is more restrictive than OHD policy, the grantee policy will prevail. The grantee organization assumes legal responsibility for fiscal and administrative management and fulfillment of any special conditions which may be prescribed for the conduct of the project. The grantee organization is responsible for performing the agreed upon project and for using the grant prudently for the purposes set forth in the approved application and "Notice of Grant Awarded."

B. GRANT RELATED INCOME (45 CFR, SUBPART F)

Grant related income is income derived by a grantee organization from activities conducted under the auspices of the grant supported activity. Examples of income producing activities may include:

1. Fees received by the grantee organization or an employee for personal services performed in connection with and during the period of grant-supported activity.
2. Sale of items generated or produced as a consequence of a demonstration project (This does not include the sale of property purchased for use in the project).

1. ACCOUNTABILITY

The grantee is accountable to OHD for income generated by activities performed under projects supported by OHD grants. Disposition of such income may be made in accordance with one or a combination of the following alternatives:

(a) Income may be used to further the purposes of the project for which the grant was made; or

(b) Income may be deducted from total project costs for the purpose of determining the net costs on which the Federal share of costs shall be based.

If the terms and conditions of the grant do not specify disposition, the income shall be used to further the objectives of the project under which the grant was made in accordance with alternative (a) above. However, the proportionate Federal share of program income applicable to the Federal participation in the project may not be used as a matching contribution.

a. Interest Income

Pursuant to Section 203 of the Intervogernmental Cooperation Act of 1968 (Public Law 90-577), a State will not be held accountable for interest earned on a Federal grant pending their disbursement for project purposes. All other grantees must return all interest earned on the Federal grant by check made payable to the U.S. Treasury.

b. Royalties on Copyrights

Royalties received by grantees from copyrights on publications or other works developed under OHD grant supported projects shall be handled in accordance with the following:

(1) Royalties received during the project period shall be retained by the grantee and used to further the objectives of the project unless otherwise specified by OHD.

(2) Royalties received after the termination or completion of the project period will be retained by the grantee unless the terms of the grant provide otherwise.

c. Sale of Property

Proceeds from the sale of property shall be handled in accordance with the provisions of the "Property" section of this manual.

2. APPLICABLE CREDITS

Applicable Credits are not considered to be program income but are receipt or negative-expenditure types of transactions which offset, reduce, or eliminate an expense chargeable to the project. Examples are purchase discounts, rebates or allowances, and adjustments for overpayments and other erroneous charges.

3. RECORDS

Records of the receipt and disposition of project related income must be maintained by the grantee in the same manner as required for the funds which gave rise to the income.

C. REIMBURSEMENTS FROM OTHER FEDERAL AGENCIES

1. GENERAL DISCUSSION

OHD grantees are encouraged to seek other Federal funds to supplement financial assistance provided by OHD grant funds. When the grantee is reimbursed by a non-OHD Federal agency for carrying on program activities which were originally supported by an OHD grant, the reimbursement reduces or eliminates the previous expenditure of OHD grant funds and is *not* considered to be program income. The resultant balances, including carryover balances, are considered to be OHD grant funds and may be retained by the grantee, but shall not be expended without the prior approval of the responsible granting office.

2. REPORTING TO OHD

Grantees who are not able to anticipate the amount of reimbursements which may be obtained from other non-OHD Federal sources should budget OHD grant funds for these activities. Subsequent reimbursements received from non-OHD Federal agencies should be reported in the "remarks" section of the "Financial Status Report" submitted to OHD. Also, a proposed budget and an appropriate work plan should be submitted to the

responsible granting office detailing how the freedup balances of OHD grant funds are to be used. Grantees submitting continuation applications shall include, in the proposed work statement, details on how any carryover balances resulting from non-OHD Federal reimbursements will be used. Approval of the application through issuance of a Notice of Grant Awarded will constitute approval to expend these carryover balances.

Grantees who are able to reliably anticipate the funding of project costs by sources other than OHD should not request funds from OHD for the same activities. Funds received for carrying on such activities do not represent a reimbursement to the OHD program grant.

D. RECORDS RETENTION AND ACCESS (45 CFR 74, SUBPART D)

1. RETENTION

a. Financial records, supporting documents, statistical records and all other records pertinent to a grant supported project (including delegate agency, and contractor records where a negotiated contract awarded was in excess of $10,000) shall be retained for three years, subject to the following qualifications:

(1) Records relative to pending audits or audit findings resulting from audits by or on behalf of the Federal government shall be retained until such findings have been resolved;

(2) Records for nonexpendable property which was acquired wholly or in part with Federal funds shall be retained for three years after final disposition of the property.

b. The starting date for the three year retention period is as follows:

(1) Financial records – the retention period for each year's records starts from the date of submission by the grantee to the granting office of the final "Financial Status Report" for the budget period.

(2) Non-expendable property – the date on which the property was disposed of, e.g., payment by the grantee to OHD for the Federal share of the fair market value of such property when required (See Chapter 6); and

(3) Indirect cost rate proposals:

(a) if submitted to the Federal government, the date of submission;

(b) if not submitted to the Federal government, the ending date of the grantee's fiscal year (or other accounting period) covered by the proposal, plan, or other computation.

c. OHD may request the transfer of certain records to its custody when it determines that the records possess long-term retention value. However, in order to avoid duplicate records maintenance, OHD may make arrangements with grantees to retain any records which are continuously required for joint use. When records are transferred to or maintained by the Department of Health, Education, and Welfare, the three year retention requirement is not applicable to the grantee.

2. ACCESS

The Department of Health, Education, and Welfare, Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers and records of the grantee, delegate agency, or contractor (for negotiated contracts over $10,000), when such records are determined by any of them to be pertinent to a specific grant or project, for the purpose of making audit, examination, excerpts or transcripts. Additionally, the grantee shall have access to delegate agency records or records of contractors for purposes described in this paragraph.

3. SUBSTITUTION OF MICROFILM

Grantees are authorized, if they so desire, to substitute microfilm copies in lieu of original records.

4. RESTRICTION ON PUBLIC ACCESS

Unless required by law, OHD will not place restrictions on grantees which will limit public access to the grantees records (or delegate agencies and contractors), except when the records must remain confidential for the following reasons:

a. to prevent a clearly unwarranted invasion of personal privacy;

b. to comply with an Executive Order or statute which specifically requires the records to be kept secret;

c. to protect commercial or financial information obtained from a person or a firm on a privileged or confidential basis.

E. PERSONNEL ADMINISTRATION GUIDELINES

1. GUIDELINES

Except for State and local government grantees included under a formal Merit System, grantees should develop and maintain a suitable personnel management system. Unless otherwise specified by program regulations the following guidelines may be used where applicable:

a. A position classification system which:

(1) differentiates between levels of responsibility and complexity of work,

(2) requires position descriptions and job titles,

(3) calls for periodic determination of correctness of position descriptions; and

(4) identifies necessary position requirements.

b. A recruitment and selection system which:

(1) provides for the announcement of facancies to staff as well as other known sources of manpower;

(2) establishes controls to insure consistency with the budget plan;

(3) enables a comparison of job candidate qualifications with position requirements;

(4) establishes procedures for applicant interviews, reference checks and final selection by an appropriate official and for evaluating the effectiveness of compliance with title VI of the Civil Rights Act of 1964 as amended.

c. Compensation determination based on analysis of:

(1) job requirements;

(2) comparability with similar work in the local labor market;

(3) periodic reviews of pay scales; and

(4) fringe benefits comparable to other similar organizations.

d. A performance rating system that:

(1) establishes performance standards;

(2) requires periodic rating; and

(3) forms the basis for consideration of future pay adjustments.

e. A merit promotion plan under which promotion is based on increased responsibility and employee qualifications;

f. A staff utilization and career development program which:

(1) requires analysis of manpower needs and staff use;

(2) provides job training or retraining where applicable;

(3) provides career counseling; and

(4) provides supervisory training.

g. A clear, consistent, written policy with respect to:
   (1) working hours;
   (2) work schedules;
   (3) overtime;
   (4) vacation schedules and other absences;
   (5) maintenance of attendance records for all employees with proper supervisory controls;
   (6) travel;
   (7) per diem;
   (8) training; and
   (9) outside employment.

h. A personnel relations program which includes:
   (1) open channels of communication for distribution of information, expression of grievances, and the encouragement of ideas for organizational improvement;
   (2) written standards for employee conduct and conflict of interest;
   (3) a fair and equitable disciplinary system to handle conduct violations; and
   (4) the provision of medical services to all employees as appropriate.

i. A file and records system which includes all official documents related to the employment of each staff member and other persons participating in grant supported activities. Such records should be maintained in an orderly and accessible file system which is capable of providing necessary information to supervisors, accountants and auditors, as well as to employees. Among the documents which should be included in these files are actions related to hiring, dismissal, promotions, commendations, and adverse actions.

2. DOCUMENTATION

The grantee's personnel policies and procedures should be documented in writing and issued to, or made available to, all grantee employees.

3. CONFLICT OF INTEREST

Some OHD programs have specific regulations concerning conflict of interest. It is suggested that grantees not covered by these regulations establish safeguards to prevent employees from using their positions for purposes which are, or give the appearance of being, motivated by a desire for private gain for themselves or others, such as those with whom they have family, business or other ties. Institutions receiving grant support should have written guides for staff members (administrators, faculty members, professional staff and other employees) indicating the conditions under which outside activities, relationships or financial interest are proper or improper, and providing for notification of these kinds of activities, relationships, or financial interests to a responsible and objective institution official. Additionally, whether or not the grantee is subject to specific conflict of interest regulations, all grantee employees whose duties include contracting with and expending Federal grant funds, shall adhere to the Code of Conduct provisions in 45 CFR 74.152.

F. USE OF CONSULTANTS (GAM CHAPTER 1-45)

1. GENERAL

Grantees are expected to carry out project activities by utilizing the services of their employees whenever feasible. However, the nature of efforts undertaken in connection with an OHD grant supported project sometimes makes it necessary for the grantee to utilize

consultants to accomplish the project objectives. For purposes of this policy, a consultant is an individual who is engaged to give professional advice or services, for a fee, but not as an employee of the organization which pays the fee, except as indicated in Paragraph 3 of this section.

2. APPROVAL

Grantees are expected to anticipate their requirements for consultant services and justify the proposed need in the grant application. If, however, the need for consultant services was not anticipated and subsequently arises, prior approval from OHD shall not be required.

3. PAYMENTS TO GRANTEE EMPLOYEES

Consulting fees paid (over and above salary) by grantees to their own employees may not be charged to an OHD grant supported project. However, as provided in Appendix D to 45 CFR Part 74, charges representing extra compensation (above base salary) paid by an educational institution to its faculty members for consulting work may be authorized where the following conditions are determined to exist:

a. The consultation is across departmental lines or involves a separate or remote operation; and
b. The work performed by the consultant is in addition to the faculty member's regular departmental load.

4. DOCUMENTATION OF SERVICES RENDERED

Grantees shall obtain from their consultants a written report on the results of the consultation and an invoice which documents the basis for the fee paid.

G. BONDING AND INSURANCE (45 CFR 74, SUBPART C)

Except as may be otherwise provided in applicable program regulations, grantees may observe their regular requirements and practices with respect to bonding and insurance except as provided below:

Recipients of OHD program grants which include support for facility improvements (including alterations or renovations of real property) shall follow their own requirements relating to bid guarantees, performance bonds, and payment bonds except for contracts exceeding $100,000. For facility improvement contracts exceeding $100,000, the following minimum requirements must be followed:

1. A bid guarantee shall be obtained from each bidder equivalent to five percent of the bid price. The "bid guarantee" shall consist of a firm commitment, such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of his bid, execute such contractual documents as may be required within the time specified.
2. A performance bond shall be obtained from the contractor for 100 percent of the contract price. A "performance bond" is one executed in connection with a contract to secure fulfillment of all the contractor's obligations under such a contract.
3. A payment bond shall be obtained from the contractor for 100 percent of the contract price. A "payment bond" is one executed in connection with a contract to assure payment, as required by law, of all persons supplying labor and materials in the execution of the work provided for in the contract

H. ALTERATION AND RENOVATION OF FACILITIES (GAM CHAPTER 1-44)

1. GENERAL

"Alteration and renovation" is considered to be work required to change the interior arrangements or other physical characteristics of an existing facility or installed equipment so that it may be more effectively utilized for the project. Alteration and renovation may include work referred to as improvements, conversion, rehabilitation, remodeling or modernization.

2. GENERAL PROVISIONS

Alteration and renovation costs may be charged to the project provided:

a. The building has a useful life consistent with project purposes and is architecturally and structurally suitable for conversion to the type of space required;
b. The alteration and renovation is essential and no other suitable space is available;
c. The expected length of use of rented space as reflected in a lease agreement is considered prior to alteration or renovation of such space; and
d. The costs incurred are consistent with the prior approval requirements and other provisions of this Manual.

3. ALLOWABLE COSTS

a. Alteration and renovation costs shall be limited to the costs of modifying existing space and utilities within a completed and finished structure. The cost of adapting any of the following building features to the needs of the project are generally allowable:
   (1) physical characteristics – interior dimensions, surfaces, furnishings, and finishes; and
   (2) environment – temperature, humidity, ventilation, acoustics.
b. The following are examples of costs which are not allowable:
   (1) new construction; and
   (2) relocation of exterior walls, roofs, or floors.
c. Pursuant to the grantee's accounting system, certain costs of installing equipment may be listed as either equipment costs or alteration and renovation costs. These include the temporary removal and replacement of wall sections, door frames, etc., in order to place equipment in its permanent location. The costs of connecting utility lines, replacing finishes and furnishings, and installing any accessory devices required for the equipment's proper and safe utilization may be considered either equipment costs or alteration and renovation costs.

I. FINANCIAL MANAGEMENT STANDARDS (45 CFR 74, SUBPART H)

Accounting for project funds will be in accordance with the grantee's own accounting practices subject to the standards listed below. OHD grantees shall institute and maintain financial management systems which provide for:

1. Accurate, current, and complete disclosure of the financial results of each project in accordance with Federal reporting requirements;
2. Records which identify adequately the source and application of funds for grant-supported activities. These records shall contain information pertaining to authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income;
3. Effective control over and accountability for all project funds and personal property acquired for project use;
4. Comparison of actual with budgeted amounts for each project and, when specifically required by project – performance reporting requirements, relation of financial information with performance or productivity data;
5. Procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement of these funds by the grantee;
6. Procedures for determining the allowability and allocability of costs in accordance with applicable cost principles;
7. Accounting records which are supported by source documentation;
8. Audits to be performed which analyze the fiscal integrity of grantees or delegate agency's financial transactions and reports and the compliance with applicable program and administrative regulations, terms and conditions. A more detailed discussion of audits is provided below.
9. A systematic method to assure timely and appropriate resolution of audit findings and recommendations.

J. INSTITUTIONAL AUDITS

1. GENERAL DISCUSSION

Grantees are required pursuant to 45 CFR § 74.61(h)(1) to have examinations or audits made by individuals who are sufficiently independent of those who authorize the expenditure of project funds to produce unbiased opinions, conclusions and judgments. Generally, these examinations should be conducted by independent accountants selected by the grantee who are certified or licensed by a regulatory authority of a State or other political subdivision of the United States.

2. TYPE OF AUDIT

The audit is intended to ascertain the effectiveness of the financial management systems and internal procedures that have been established to meet the terms and conditions of the grant. The audit requirements contained in Subpart H of 45 CFR 74 do not intend that each grant supported project be examined. Generally, audits should be conducted on an organizational basis to test the fiscal integrity of financial transactions as well as compliance with the terms and conditions of all Federal grants for which the grantee is responsible. Such tests should include an appropriate sampling of various Federally assisted projects including OHD sponsored projects.

3. FREQUENCY OF AUDIT

Audits shall be conducted with reasonable frequency, on a continuing basis or at scheduled intervals, usually annually, but not less frequently than every two (2) years. The frequency of these audits shall depend upon the nature, size, and complexity of the grantee organization. The grantee shall advise the Grants Management Budget Office (for grants awarded by regional offices) in the Regional Office or the Grants and Contracts Management Division (for grants awarded by Central Office) as to the frequency and scheduled completion dates of the audits to be conducted. *Note.* The provisions of Paragraphs B & C above do not apply to the Head Start and Native American Programs.

4. SUBMISSION OF REPORT

Within thirty (30) days after completion of the audit, the grantee shall transmit one copy of the audit to either the Grants and Contracts Management Division, Office of Administration and Management, Office of Human Development for grants funded by the Central Office or the Grants Management Budget Office in the Regional Offices for grants awarded by the regions.

5. RESOLUTION OF AUDIT FINDINGS

Grantees shall take the necessary and appropriate actions to resolve audit findings and recommendations contained in audit reports particularly as they relate to OHD supported projects. Grantees will be notified in writing by OHD as to specific areas of concern when corrective action is considered necessary. The grantee shall be required to respond to those findings in writing no later than 30 days from the postmark date of notification. If the response is not accepted, the grantee will be notified of the proposed disallowance or other necessary corrective action and of the right to appeal in accordance with Departmental appeal procedures.

K. FEDERAL INCOME TAX

Determination of the tax status of an individual receiving payments in any form from an Office of Human Development grant is the responsibility of the Internal Revenue Service.

L. MILITARY SERVICE

The Office of Human Development will not intercede on behalf of an individual in relation to military status.

M. SAFETY PRECAUTIONS

The Office of Human Development assumes no responsibility with respect to accidents, illnesses or claims arising out of any work performed under a grant supported project. The grantee institution is expected to take necessary steps to insure or protect itself and its personnel and to comply with the applicable local, State or Federal safety standards, including those issued pursuant to the National Occupational Safety and Health Act of 1970 (20 CFR 1910) and the Atomic Energy Act of 1954 (42 CFR 2021).

N. LABORATORY ANIMALS (GAM CHAPTER 1-43)

Organizations using warm-blooded animals in research, training, testing, or other activities supported by funds from OHD must provide written assurance to the Office for Protection from Research Risks, NIH, that they will evaluate on a continuing basis their animal facilities with regard to the care, use and treatment of such animals consistent with the standards established by the Animal Welfare Act, the DHEW publications "Principles for Use of Experimental Animals" and, "Guide for Care and Use of Laboratory Animals, Fourth Edition." Assurance requirements are limited to the description, on a one-time basis, of administrative mechanisms for the continuing evaluation of institutional facilities and activities concerned with the care and use of animals. Further details will be provided by the Office for Protection from Research Risks, NIH.

O. PUBLICATION AND PUBLICITY

Project directors are encouraged to make the results and accomplishments of their grant supported activities available to the public. Prior approval of OHD is not required nor should responsibility for the direction of the activity be ascribed to OHD. However, an acknowledgement of OHD support must be made through use of the following or comparable footnote:

"This project was supported by Grant No. , awarded by the Department of Health, Education, and Welfare, OHD (granting office)."

In the event that the organization wishes to join with OHD in a simultaneous news release announcing the results of a project, the action should be coordinated with the appropriate information officer within the responsible granting office.

Three reprints of publications resulting from work supported in whole or in part by OHD program grants must be submitted to the responsible granting office.

P. SURVEYS AND QUESTIONNAIRES (GAM CHAPTER 1-11)

Whenever an OHD program sponsors the use by a grantee of a report form or "plan" to collect identical kinds of information or data from 10 or more persons, the responsible granting office must obtain prior clearance from the Office of Management and Budget, in accordance with OMB Circular A-40 (revised May 3, 1975), and its forms clearance procedures. A report form or "plan" used by a recipient of an OHD program grant is considered to be sponsored by OHD when:

1. The recipient of a grant uses the report form or "plan" to collect information that the responsible granting office has requested for the planning, operation or evaluation of its program;
2. The terms and conditions of the grant provide for approval by the granting office of the survey design, questionnaire content or data collection procedure; or
3. The terms and conditions of the grant provide for submission of data to the OHD granting office received from individual respondents and/or special tabulations relative to the data.

Grantees collecting information may not represent to their respondents that the information is being collected for or in association with OHD unless the responsible OHD granting office has determined that such a representation would be true in the particular case and has authorized the grantee in writing to make the representation in a suitably qualified form. Such acknowledgements are encouraged but not required.

Q. MAINTENANCE OF EFFORT

Where required by program legislation or regulations, applications for grants must include a written assurance that the services provided under the project will be in addition to, and not in substitution for, comparable services provided without Federal assistance.

R. AUDIO-VISUAL MATERIALS (GAM CHAPTER 1-450)

Grantees may use project funds to produce motion picture films, video or audio tapes or similar audio-visual materials in connection with fulfilling the objectives of a project. Particular care must be exercised to assure that such material facilitates the purposes of the project and that acknowledgment of grant support is indicated. Such acknowledgment must be expressed in the following language:

"The production of this material was supported by Grant No. from (*name of granting office*). However, its contents are solely the responsibility of (*name of*

grantee organization) and are in no way the responsibility of (*name of granting office*)."

Prior approval by the granting agency is required when the grantee intends to produce audio-visual materials for listening or viewing by the general public. In this regard, the following situations would routinely be considered as involving the general public: 1) broadcast on commercial or educational television or radio; 2) showing in commercial movie houses; 3) showing in public places, i.e., airports, waiting rooms, etc.; 4) showing by civic associations, schools (except as a teaching tool in a classroom setting), clubs, or similar lay groups.

A grantee's request for approval to produce audio-visual materials shall be in writing and include the following:

1. name of project; grant number, name of grantee organization;
2. objectives of the project;
3. subject matter of films, and relation to project objectives;
4. intended audience; medium in which film will be shown;
5. estimated costs;
6. format; credits; length, etc.; and
7. method of production (contract or grantee staff).

S. APPEALS

1. GENERAL DISCUSSION

OHD program grantees may appeal certain adverse administrative decisions. The administrative decisions which may be appealed vary with the individual programs. However, the following types of decisions may be appealed in all programs:

a. Termination, in whole or in part, of project support for cause;
b. A determination that an expenditure not allowable under the project has been charged to the project, or that the grantee has otherwise failed to discharge its obligation to account for project funds;
c. The disapproval of a grantee's request for permission to incur an expenditure during the term of a project;
d. A determination that a grant is void;
e. Establishment of indirect cost rate (except where the grantee has appealed to the Armed Services Board of Contract Appeals with respect to such determination under a contract with the Department).

2. INDIRECT COST APPEALS

Indirect cost appeals must be made in accordance with the procedures set forth in 45 CFR Part 75, Informal Grant Appeals Procedures. Generally, grantees must submit their request for reconsideration to the appropriate Regional Director no later than thirty (30) days after the postmark date of the Regional Offices notification to the grantee of its determination of the issues and its decision.

Although the request for reconsideration need not follow any prescribed format, it must clearly identify the issue(s) in dispute and must contain a full statement of the grantee's position on such issue(s) along with pertinent facts and reasons in support of its position.

The grantee will be advised by the Regional Director that its application for review has been received. Also, the grantee will be provided an opportunity to meet with the Regional Director or his designee to state its position relative to the questioned indirect costs. Within 45 days after the above meeting (or 45 days after submission of any supplemental information provided by the grantee) the Regional Director will notify the grantee in writing of his decision.

If the Regional Director's decision is adverse to the grantee, the notification will state the basis of the decision and will inform the grantee of its right to appeal the decision to the Departmental Grants Appeals Board pursuant to 45 CFR Part 16. However, such an appeal must be made within thirty (30) days after the postmark date of the written notification or the decision will become final.

3. FORMAL APPEALS

Grantees may formally appeal adverse administrative decisions to the Departmental Grant Appeal Board pursuant to 45 CFR Part 16. The Departmental Grant Appeal Board is established within the Office of the Secretary, HEW. Members are appointed by the Secretary.

The application for review must be submitted directly to the Board and need not follow any prescribed form. The application must clearly identify the question or questions in dispute and contain a full statement of the grantee's position. The responsible OHD granting office shall be notified that such an appeal is being made. Grantees should consult 45 CFR Part 16 to obtain additional information concerning this procedure.

Chapter 4

Reporting Requirements

A. REPORTING REQUIREMENTS (45 CFR 74, SUBPART I AND J)

1. GENERAL DISCUSSION

The following reports, as appropriate, will be used by grantees to report the results of financial transactions and program progress to OHD:

a. Financial
b. Report
c. Request
d. Program

Each report is discussed in the sections following. The report forms and specific instructions are provided in the applicable program section of this manual.

2. FINANCIAL STATUS REPORT

Grantees will use this form to report to OHD the status of funds for all grant supported projects. A final "Financial Status Report" must be submitted to the appropriate OHD office no later than ninety (90) days after the termination date of the project period. Except for research, demonstration and training projects, all OHD grant programs require a quarterly "Financial Status Report" which must be submitted not later than thirty days after each quarter of the budget period. Research, demonstration and training grantees must submit an annual "Financial Status Report" not later than ninety (90) days after the end of each budget period.

Grantees should use the Remarks section (Item 12) of this report to identify any reimbursements received during the period from other Federal agencies for grant supported activities. This information should include the amount of funds received and the source. If such funds replace OHD grant funds originally budgeted for the same purpose, they should also be included in Item 10-m of the report.

3. REPORT OF FEDERAL CASH TRANSACTIONS

This report is required when funds are advanced to grantees through letters of credit or Treasury checks. OHD will use this report to monitor cash advanced to grantees and to obtain disbursement or outlay information for each grant or project. *Note:* Grantees paid through the HEW Federal Assistance Financing System (DFAFS) do not submit this report. (See Chapter 2, 4.b.).

This report will be made on a quarterly basis commencing with the calendar quarter in which payments to the grantee begin. In instances where the grantee's annual grants total $1,000,000 or more, OHD may require a monthly report. The report should be mailed to the appropriate OHD office no later than 15 working days following the close of each month or calendar quarter, as applicable.

OHD may require that the grantee include in the "Remarks" section of the report, a forecast of Federal cash requirements and the amount of cash in excess of three days' requirements held by delegate agencies together with a short narrative explanation of actions taken by the grantee to reduce such excess balances.

4. REQUEST FOR ADVANCE OR REIMBURSEMENT

This form is designed to serve as (a) a request for advance payment when a letter of credit or a predetermined automatic Treasury check advance method is not used or (b) a request for reimbursement. A determination will be made by OHD at the time a grant is awarded as to whether funds will be paid to the grantee in advance or on a reimbursement basis.

a. Advances. This form will be used by grantees to obtain advance payments on other than a predetermined automatic basis. When used for this purpose, the form must be filled out completely each time it is submitted.
b. Reimbursements. If the grant agreement provides for payment on a reimbursable basis, these payments will be made as requests are submitted to OHD. When payments are made on this basis, section 11 of the report must be completed each time it is submitted.

5. PROGRAM PROGRESS REPORTS

A "Program Progress Report" is required in the same frequency as the "Financial Status Report" for each grant supported project. This report should cover project accomplishments since the last report submitted, and should measure progress toward the achievement of the goals stated in the grant application.

Within ninety (90) days of the termination of a project, a final "Program Progress Report" must be submitted to the granting office. This report should include a summary of the overall achievements of the project related to the project's goals. Most OHD programs provide specific instructions for the completion of this report either in program regulations or guidelines.

Generally, however, "Program Progress Reports" shall include, to the extent appropriate to the particular project, the following:

a. A comparison of actual accomplishments to the goals established for the period where the output of the project can be readily quantified, such quantitative date should be related to cost data for computation of unit costs.
b. Reasons for slippage in those cases where established goals were not met, and
c. Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

In some cases, more specific information to be included in these reports may be determined and agreed upon by the granting office and the grantee at the time the grant is awarded. Generally, however, "Program Progress Reports" will cite accomplishments to date and include a brief statement of unusual problems which developed and how they were solved.

Grantees should report to the granting office on an exception basis whenever the progress of work does not conform to the conditions of the award agreement. Thus, the grantee is responsible for immediately alerting the responsible granting office to major problems which may have arisen, significant changes in project direction or schedule, or significant changes in project costs.

6. ACCOUNTING BASIS

Except for the "Report of Federal Cash Transactions," grantees may complete required financial reports using the same accounting basis, i.e., cash or accrued expenditure (accrual)

used in maintaining accounting records. However, the basis used must be consistent for all projects administered by the grantee.

B. DELINQUENT REPORTS (GAM CHAPTER 1-42)

1. POLICY

It is the policy of OHD that administrative action be taken to assure the submission by grantees of all required reports. The failure of a grantee to submit required reports within the designated time prescribed may be a basis for suspension, termination, or denial of refunding.

2. PROCEDURE

Grantees whose program progress or financial status reports have not been received within 30 days of the required submission date will be notified in writing that the report has not been received and that the subject report or suitable explanation for failure to submit the report must be received within two (2) weeks. If, after two weeks, no satisfactory response is provided, the grantee will be advised in writing of the action to be taken. Such action may result in converting payments to the grantee to the cash reimbursement method, suspension, termination, and/or decision by the granting agency not to award additional grants to the delinquent grantee.

3. WAIVER

In unusual cases, the granting office may waive the requirements of the report or extend the data for submission when officials of the grantee organization are able to satisfactorily demonstrate that the report cannot be furnished in a timely manner for reasons legitimately beyond its control.

Chapter 5

Grantee Procurements

A. PROCUREMENT (45 CFR 74, SUBPART P)

1. GENERAL DISCUSSION

Detailed below are certain standards applicable to grantee procurement of supplies, equipment, construction, and other services under projects supported by OHD program grant funds. These standards are designed to assure that such materials and services are obtained in an effective manner and in compliance with the provisions of applicable Federal laws and other requirements.

These standards do not relieve the grantee of responsibility regarding the settlement and satisfaction of all contractual obligations and administrative issues arising out of these procurements. The grantee is the responsible authority, without recourse to the Federal government, in such issues which may include disputes, claims, protests of award, and source evaluation. Matters concerning violation of laws are to be referred to such local, State, or Federal authority as may have proper jurisdiction.

2. PROCUREMENT STANDARDS

Grantees may use their own procurement procedures which reflect applicable State and local laws, rules and regulations, provided that the procurements adhere to the following standards:

a. Code of Conduct – Grantees shall maintain a code or standards of conduct which shall govern the performance of its officers, employees, or agents in the awarding and administration of contracts. The standards shall include, but not be limited to, a prohibition against soliciting or accepting gratuities, favors, or anything of monetary value from contractors or potential contractors. The standards shall provide for appropriate disciplinary actions for noncompliance.

b. Free Competition – Procurement transactions shall be conducted in a manner to provide, to the maximum extent, open and free competition. The grantee should be alert to organizational conflicts of interests or noncompetitive practices among contractors which may restrict or eliminate competition or otherwise restrain trade.

3. PROCUREMENT PROCEDURES

Grantees shall establish procurement procedures which provide for, as a minimum, the following procedural requirements:

a. Proposed procurement actions shall be reviewed by appropriate grantee officials to assure the avoidance of purchasing unnecessary or duplicative items. Where appropriate, an analysis shall be made of lease and purchase alternatives to determine which would be the most economical, practical procurement;

b. Solicitations for supplies and services shall be based upon a clear and accurate description of the technical requirements for the material, product, or service to be procured. Such description shall not, in competitive procurements, contain features which unduly restrict competition. "Brand name or equal" description may be used as a means to define the performance or other salient requirements of a procurement, and when so used the specific features of the named brand which must be met by offerors should be clearly specified;

c. Positive efforts shall be made by the grantee to utilize small business and minority-owned business sources of supplies and services. Such efforts should allow these sources the maximum feasible opportunity to compete for contracts under projects supported by OHD program grant funds;

d. All proposed sole source contracts in which the aggregate expenditure is expected to exceed $5,000 shall be subject to prior approval by the granting office;

e. A system for contract administration shall be maintained to ensure contractor conformance with terms, conditions, and specifications of the contract, and to assure adequate and timely followup of all purchases;

f. The type of procuring instruments used, e.g., fixed price contracts, cost reimbursable contracts, purchase orders, or incentive contracts *shall be determined by the grantee to be appropriate for the particular* procurement and for promoting the best interests of the program involved. The "cost plus-a-percentage-of-costs" method of contracting *shall not* be used;

g. If the grantee is a State or local government, formal advertising, with adequate purchase description, sealed bids, and public openings shall be the required method of procurement unless negotiation pursuant to paragraph 4. below is necessary to accomplish sound procurement. However, procurements of $10,000 or less need not be so advertised unless otherwise required by State or local law or regulations. When formal advertising is employed by the State or local government:

(1) Awards shall be made to responsible bidders whose bids are responsive to the invitation and are most advantageous to the State or local government grantee, price and other factors considered. Factors such as discounts, transportation costs, and taxes may be considered in determining the lowest bid.

(2) Invitations for bids shall clearly set forth all requirements which the bidder must fulfill in order for his bid to be evaluated by the State or local government grantee.

(3) Any or all bids may be rejected when it is in the State or local government grantee's interest to do so, and such rejections are in accordance with applicable State or local laws, rules, and regulations.

4. NEGOTIATED PROCUREMENTS BY STATE OR LOCAL GOVERNMENTS

Procurements may be negotiated by State or local government grantees if it is not practicable or feasible to use formal advertising. Generally, procurements may be negotiated if one or more of the following conditions prevail:

a. The public exigency will not permit the delay incident to advertising.

b. The material or service to be procured is available from only one person or firm, all contemplated sole source procurements where the aggregate expenditure is expected to exceed $5,000 shall be referred to the responsible granting program office for prior approval.

c. The aggregate amount involved does not exceed $10,000;

d. The contract is for personal or professional services, or for any service to be rendered by a university, college or other educational institution;

e. The material or services are to be procured and used outside the limits of the United States and its possessions;

f. No acceptable bids have been received after formal advertising.

g. The purchases are for highly perishable materials or medical supplies, for material or services where the prices are established by law, for technical items or equipment

requiring standardization and interchangeability of parts with existing equipment, for experimental, developmental or research work, for supplies purchased for authorized resale, and for technical or specialized supplies requiring substantial initial investment for manufacture, and

h. Negotiation is otherwise authorized by applicable Federal, State, or local law, rules or regulations.

5. PROCUREMENT RECORDS

Grantees shall maintain procurement records and files which shall include at least the following:

a. Basis for contractor selection;

b. Justification for lack of competition when competitive bids or offers are not obtained; and

c. Documentation of the basis for the award cost or price.

6. CONTRACTOR RESPONSIBILITY

Contracts shall be awarded only to responsible contractors who possess the potential ability to perform successfully under the terms and conditions of a proposed procurement. Consideration shall be given to such matters as contractor integrity, record of past performance, financial and technical resources, and accessibility to other necessary resources.

7. CONTRACT PROVISIONS

a. The grantee shall include provisions to define a sound and complete agreement in all contracts which it awards.

b. Contracts awarded by a State or local government shall contain contractual provisions or conditions which will allow for administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms, and provide for such sanctions and penalties as may be appropriate.

c. All contracts awarded by State or local government grantees in excess of $10,000 shall contain suitable provisions for termination by the grantee including the manner by which it will be effected and the basis for settlement. In addition, such contracts shall set forth the conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor.

d. In all contracts for construction or facility improvement in excess of $100,000, the applicable bonding requirements set forth in 45 CFR Part 74, § 74.16 shall be observed.

e. All negotiated contracts (except those of $10,000 or less) shall include provisions giving access to, and requiring retention of, the contractor's records in accordance with §§ 74.20, 74.21, and 74.23(b) of Title 45 of the *Code of Federal Regulations*.

f. Provisions for compliance with Executive Order No. 11246, entitled "Equal Employment Opportunity," as supplemented in Department of Labor regulations (41 CFR Part 60), shall be included in all contracts to which they are applicable.

g. All contracts in excess of $2,000 for construction or repair shall include a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as implemented in Department of Labor regulations (29 CFR Part 3). The grantee shall report all suspected or reported violations to the responsible granting office.

h. When required by the OHD program authorizing legislation, all construction contracts awarded by grantees in excess of $2,000 shall include a provision for

compliance with the Davis-Bacon Act (40 U.S.C. 276a to a-7) as supplemented by Department of Labor regulations (29 CFR Part 5). The grantee shall report all suspected or reported violations to the granting agency.

i. Where applicable, all construction contracts exceeding $2,000 and all other contracts awarded by grantees which exceed $2,500 and which involve the employment of mechanics and laborers, shall include a provision for compliance with sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. 327-330) as implemented by Department of Labor regulations (29 CFR Part 5).

j. All research or development contracts shall contain a notice to the effect that rights to inventions conceived or first actually reduced to practice in the course of or under the agreement shall be governed by the DHEW Patent Regulations (45 CFR Parts 6 and 8), the terms and conditions of the grant, and any pertinent regulations or other requirements consistent therewith issued by the grantee. The grantee shall assure that the contractor of the research or development work either is given all necessary information regarding these matters or is advised as to the source of such information.

k. Contracts in excess of $100,000 shall contain provisions which require the recipient to comply with all applicable standards, orders, or regulations issued pursuant to the Clean Air Act of 1970 as amended (42 U.S.C. 1857h, et seq.). Suspected violations shall be reported by the grantee in writing to the regional office of the United States Environmental Protection Agency, with a copy to the responsible granting office.

Chapter 6

Property

A. PROPERTY (45 CFR 74, SUBPART O)

1. GENERAL DISCUSSION

This section provides applicable policies and procedures for the acquisition, utilization and disposition of property furnished or acquired in whole or in part under projects supported by OHD program grant funds. Grantees may use their own property management policies and procedures as long as the provisions set forth below are observed.

2. DEFINITIONS

a. Personal property. Property of any kind except real property. Such property may be tangible (having physical existence) or intangible (having no physical existence, such as patents, inventions, and copyrights).

b. Nonexpendable personal property. Tangible personal property having a useful life of more than one year and an acquisition cost of $300 or more per unit. A grantee may use its own definition of nonexpendable personal property provided that such definition includes at least all tangible personal property as defined above.

c. Expendable personal property. Tangible personal property other than nonexpendable personal property.

3. NONEXPENDABLE PERSONAL PROPERTY

a. Title

Title to nonexpendable personal property acquired by the grantee shall be vested with the grantee, except that OHD may require the grantee to transfer title to the property to OHD or a third party named by OHD if the project is financed solely by Federal funds, the property has an acquisition cost of $1,000 or more, and the property is unique or difficult and costly to replace.

b. Use and Disposition

(1) The grantee shall use property acquired under a project supported by an OHD program grant as long as there is a need for the property to accomplish the purpose of the project whether or not the project continues to be supported by OHD program grant funds. When there is no longer a need for the property to accomplish the purpose of the project, the grantee shall use the property in connection with other Federal grants it has received in the following order of priority:

(a) Projects supported by grants received from other OHD program offices;

(b) Projects supported by grants of other Federal agencies.

(2) When the grantee no longer needs the property in any of its grant supported projects, the property may be used for its own official activities in accordance with the following standards:

(a) The grantee may use the property for its own official activities without reimbursement to OHD if it has an acquisition cost of less than $500 and was used four years or more;

(b) The grantee may retain all other nonexpendable property for its own use provided that OHD is fairly compensated for its share of the property. The amount of compensation shall be computed by applying the percentage of OHD participation in the grant supported project to the current fair market value of the property.

(3) If the grantee has no need for the property, disposition of the property shall be made as follows:

(a) Property with an acquisition cost of less than $500 and used four years or more may be sold and the entire proceeds retained by the grantee. For other property with an acquisition cost of less than $1,000, OHD shall be reimbursed from the proceeds of the sale of the property with the amount computed by applying the percentage of OHD participation in the grant supported project to the sale's proceeds.

(b) The grantee shall request disposition instructions from OHD for nonexpendable property with an acquisition cost of over $1,000. OHD shall issue such instructions to the grantee within 120 days.

(i) If the grantee is instructed to ship the property elsewhere, the grantee shall be reimbursed with an amount computed by applying the percentage of the grantee's participation in the grant supported project to the current fair market value of the property, plus any shipping or interim storage cost incurred.

(ii) If instructed to otherwise dispose of the property, the grantee shall be reimbursed by OHD for the costs incurred in disposition of the property.

(iii) If disposition instructions are not issued by OHD within 120 days, the grantee shall sell the property and reimburse OHD with an amount computed by applying the percentage of OHD's participation in the grant supported project to the sale's proceeds. In addition, from the OHD share, the grantee may retain $100 or 10 percent of the total proceeds, whichever is greater, to cover its selling and handling expenses.

(iv) OHD may reserve title to property with an acquisition cost of $1,000 or more, where the project is financed solely with Federal funds and the property is unique or difficult and costly to replace, subject to the following conditions:

1 The right to require transfer of title may be a special condition in the grant agreement or, if approved subsequent to the grant award, otherwise made known in writing to the grantee at the time approval is given.

2 OHD shall issue disposition instructions within 120 days after the property is no longer needed for the project for which it was acquired. If OHD fails to issue disposition instructions within 120 days, the grantee shall act in accordance with paragraph (b)(iii).

c. Federally Owned Property

Title to Federally Owned Property (property to which the Federal Government retains title) remains vested by law with the Federal Government. Upon termination of the grant or

need for the property, such property shall be reported to OHD for appropriate disposition instructions.

4. PROPERTY MANAGEMENT STANDARDS

Grantee's property management standards for nonexpendable personal property shall include at least the following:

a. A policy that requires prudence in the acquisition of equipment. A review should take place to assure that equipment is needed and that the need cannot be met with equipment already in the possession of the grantee;
b. Property records that shall be maintained accurately and provide for: a description of the property; manufacturer's serial number or other identification number; acquisition date and cost; source of the property; location, use, and condition of the property; and ultimate disposition date including sales price or the method used to determine current fair market value if the grantee reimburses OHD for its share;
c. A physical inventory of property reconciled with the property records at least once every two years to verify the existence, current utilization, and continued need for the property;
d. A control system to insure adequate safeguards to prevent loss, damage, or theft to the property. Any loss, damage, or theft of nonexpendable property shall be investigated and fully documented;
e. Adequate maintenance procedures to keep the property in good condition; and
f. Proper sales procedures for unneeded property which will provide for competition to the extent practicable and result in the highest possible return.

5. EXPENDABLE PERSONAL PROPERTY

Expendable personal property which has not been used up by the expiration of the grant may be sold or retained by the grantee. However, when the total inventory value of any unused expendable personal property exceeds $500, OHD must be compensated for its share of the cost. The amount of compensation shall be computed by applying the percentage of OHD participation in the grant supported project to the current fair market value of the property if it is retained by the grantee, or to the proceeds of sale if the items are sold.

6. INTANGIBLE PROPERTY

a. Patents and Inventions

(1) *General*

All inventions conceived or actually reduced to practice in the course of or under an OHD supported project are subject to the DHEW patent regulations contained in Title 45, Subtitle A, Parts 6 and 8 of the *Code of Federal Regulations*. Each such invention shall be promptly and fully reported to the Assistant Secretary for Health, DHEW through the appropriate granting office. Instructions for the proper method of reporting should be requested by the grantee from the Patents Branch, Office of General Counsel, DHEW.

A standard Institutional Patent Agreement which is applicable to the grant programs of all constituent agencies of DHEW is offered to qualified grantee institutions. It gives the grantee institution a first option to retain principal rights in and to administer inventions made in the course of, or under, research supported by DHEW (exclusive of contracts and subject to the conditions set forth in the Agreement). In general, any institution which has

established a formal patent policy should give serious consideration to entering into an Institutional Patent Agreement. Requests for information should be addressed to:

Assistant Secretary for Health and Scientific Affairs
Department of Health, Education, and Welfare
Washington, D.C. 20201

(2) *Determination of Ownership*

Determination as to ownership and disposition of rights to such inventions, including whether a patent application shall be filed, and if so, the manner of obtaining, administering, and disposing of rights under any patent application or patent which may be issued shall be made either by the Assistant Secretary for Health, whose decision shall be considered as final, or where the grantee has a separate formal Institutional Patent Agreement with DHEW, by the grantee in accordance with that agreement.

The OHD patent policy applies as a condition of the grant award and is agreed to by the grantee in applying for and accepting the award. Similarly, prompt and full reporting of any invention arising in the course of activity supported by the grant is also a condition of the grant award.

(3) *Third Party Responsibility*

The grantee shall obtain appropriate patent agreements to fulfill the requirements of this provision from all persons, contractors, delegate agencies, etc. who perform any part of the work under the grant, except such clerical and manual labor personnel as will have no access to technical data, and except as otherwise authorized in writing by the granting office.

The grantee shall insert in each delegate agency agreement having an experimental, developmental, or research component or objective, a clause making this provision applicable to the delegate agency and its employees.

b. Copyrights

Except as otherwise provided in the terms and conditions of the grant agreement, the author or grantee is free to copyright any books, publications or other copyrightable materials developed in the course of or under a project supported by an OHD grant. However, any such copyrighted materials shall be subject to a royalty-free, nonexclusive, and irrevocable license to the Government to reproduce, publish, or otherwise use, and to authorize others to use, the work for Government purposes.

Chapter 7

Cost

A. COSTS (45 CFR 74, SUBPART Q)

1. GENERAL DISCUSSION

The principles for identifying and measuring costs, as well as for determining their allowability, are prescribed in Subpart Q of 45 CFR Part 74. Subpart Q prescribes four separate sets of cost principles. Each grantee is subject to one set only, according to the classification of the grantee. Cost-type contracts under an OHD-funded project are also subject to the cost principles applicable to the contractor's classification, which may not necessarily be the same as that of the grantee. The four sets of cost principles and their applicability are as follows:

45 CFR 74	*Applicable To*
Appendix C	State and Local Government Agencies
Appendix D	Institutions of Higher Education
Appendix E	Hospitals
Appendix F	Nonprofit Organizations

2. DIRECT COSTS

A direct cost is any cost which can be identified with a particular cost objective relative to the approved project. Within the limits of allowable costs and the total approved budget, the grantee may use grant funds for any purpose required to carry out the approved project.

3. INDIRECT COSTS

Indirect costs are those expenditures which cannot be readily identified with a specific project. The amount of indirect costs applicable to a project is based on an indirect cost rate which must be approved by the HEW Regional Comptroller. They usually include, but are not limited to, those costs associated with the general administration and management of the grantee institution and the operation and maintenance of its facilities. Grantees may not be reimbursed as indirect costs for those types of costs which are identical to the types of costs treated as direct costs for other Federally supported projects. OHD program grantees may charge indirect costs to the project with the following exceptions:

a. Indirect costs on training grants, except those awarded to State and local government agencies, will be allowed at the lesser of the institution's actual indirect costs or 8 percent of total direct costs (exclusive of equipment, tuition and stipends),

b. Projects on which indirect costs are limited or prohibited by law or regulations will be reimbursed in accordance with those restrictions.

A full discussion of indirect costs, including guidance on establishment of rates, is included in chapters 6-100, 6-110, 6-120, 6-150 and 6-160 of the GAM.

4. ALLOWABLE DIRECT PROJECT COSTS

Provided below are examples of allowable direct costs commonly incurred by OHD program grantees in the conduct of an approved project. Such costs are subject to the principles prescribed in the appropriate appendix to Subpart Q of 45 CFR Part 74. For certain grantees, some of these costs may be treated as indirect costs. The types of costs which are often treated as indirect are designated by an asterisk(*).

a. Alterations and Renovations

Subject to prior approval by the granting office, regulations and other applicable rules. grantees must insure that, (1) the building has a useable life consistent with program purposes and is architecturally suitable for the project; (2) alterations and renovations are essential to the project and no other suitable space is available; and (3) the expected length of use of rented space as reflected in a lease agreement is considered prior to alteration or renovation of such space. See Chapter 3 for further discussion of this term.

b. (*)Audits

Cost for a CPA or other such accounting services to review and analyze grantee financial and administrative practices, procedures and records.

c. Babysitting Costs

Child care costs to allow authorized participants or representatives to attend official board or council meetings, subject to limitations as program guidelines may state.

d. (*)Bonding

When required by program regulations or grantee organization practice.

e. Books and Periodicals

When required for the conduct of the project.

f. (*)Communication

Resulting from local and long distance telephone calls, telegrams, postage and other communication costs necessary to the project.

g. Consultant Services

Payments including fees, travel expenses and related costs for individuals other than staff providing service to the project, subject to limitations imposed by program regulations or other applicable rules (see Chapter 3).

h. (*)Depreciation or Use Charges

Grantees shall be compensated for the use of grantee-owned facilities through depreciation or use allowances. Methods of computation for such costs are included in the applicable cost principles

i (*)Dues

For membership in professional organizations or societies, if it can be shown that such membership is necessary to accomplish the purposes of the project.

j. Equipment

When required for project activities and subject to prior approval requirements included in applicable cost principles.

k. Fringe Benefits

The employer's share in proportion to the salary paid under the project to the extent that such payments are made under formally established and consistently applied institutional policies.

l. (*)Insurance

Premium costs for general liability, vehicle liability, fire and theft, and comprehensive property damage where applicable. Some OHD grant programs have specific insurance requirements and reference should be made to applicable program regulations or guidelines.

m. Meals

Food provided to program service recipients and to project staff, volunteers and others connected with the project when such services are part of the approved program.

n. Motion Picture Production

Subject to the specific limitations on use of audio-visual materials (See Chapter 3 for further discussion of this term).

o. Publications

Articles and other work in scientific and technical journals provided:
(1) The article or work reports work performed on the project;
(2) The merit of the article or work is used by the journal as the first criterion in acceptance for inclusion in the journal;
(3) Publication charges are equitably applied by the journal to all parts regardless of the sources of financial support;
(4) The journal is not operated for a profit; and
(5) The copyright is owned and managed by a nonprofit corporation.

Such charges may include special plates, charts, diagrams, and reprints. Costs of publishing books, monographs and pamphlets reporting the work are subject to policies concerning copyright and disposition of project related income.

p. (*)Recruiting and Relocation

Transportation costs for new employees, dependents, and household goods, when such costs are normally paid by the grantee regardless of the source of funds, when it can be shown to be in the interest of the grant supported project.

q. Registration Fees

For professional meetings when it can be shown to be necessary to accomplish project objectives.

r. (*)Rentals

Charges for the use of equipment or space not owned by the grantee, subject to the applicable cost principles. Generally, the decision to lease or purchase equipment should be based on the lowest cost to the project considering the length of the project and life expectancy of the equipment. With respect to space, since OHD programs generally do not permit the purchase of land or buildings or the construction of facilities to house project activities, lease arrangements are necessary for space not available within the grantee's own resources. The type of such lease agreements should be based upon the lowest cost to the project considering the length of the project. A full discussion of various types of rental agreements is included in Chapter 6-10 of the GAM.

s. Salaries and Wages

Remuneration paid to employees of a grantee organization for services provided in connection with a grant supported activity. Such compensation must be consistent with the salary and wages policy of the grantee institution applied to all activities whether or not supported by Federal funds. Amounts charged to projects for personal services must be based on institutional payrolls, documented and approved in accordance with generally accepted practices. Documentation standards are as follows

(1) For State and local government agencies
  (a) Time and attendance records for all employees, and
  (b) Time distribution records for employees whose compensation is chargeable to more than one project or other cost objective.
(2) For all other organizations
  (a) Monthly after-the-fact reports of the distribution of effort for professional staff members, or
  (b) An adequate appointment and workload distribution system accompanied by monthly reviews and a reporting of any significant changes in the workload distribution of each professional staff member, and
  (c) Time and attendance and payroll distribution records for nonprofessional staff members

t. Supplies

Expendable materials used in connection with project activities.

u. (*)Taxes

When related to employment, services, travel, renting or purchasing for the project. However, institutions must avail themselves of tax-free status exemptions for which activities supported by Federal funds may qualify them or for which they are entitled by virtue of their status as a nonprofit organization.

v. Transportation

Costs incurred for freight, express, cartage, postage and other transportation services relating to goods purchased or delivered. Additionally, the costs associated with the movement of equipment from one grantee to another when approved by the granting office.

w. Travel

Cost may include:

(1) Transportation and subsistence for project staff and others related to activities supported with Federal funds. Travel costs are limited to the extent provided by the grantee institution's formal travel policy, except that less than first-class air travel on United States carriers must be used when available. If the grantee institution has no formal travel policy, HEW travel regulations will apply in determining the amount chargeable to the project. Amounts expended for travel are subject to the prior approval requirements stipulated in the budget revision section of Chapter 1.

(2) Transportation costs for project recipients, staff, and others to the site where services are being provided, subject to existing program restrictions. The purchase of motor vehicles for this purpose may be allowable, provided it is treated as an item of equipment and prior approval of the appropriate granting office is obtained.

5. UNALLOWABLE PROJECT COSTS

Provided below are examples of unallowable costs which might be incurred in connection with grant supported activities. Federal funds may not be used for these purposes, nor may such costs be charged to the nonFederal share of project expenditures.

(a) Advertising

Including the costs of direct mail, exhibits, newspaper, magazine and radio or TV ads: except that costs may be allowed for recruitment of project staff, procurement of scarce items used in the conduct of the project, and for disposal of surplus materials.

(b) Bad Debts

Including losses (whether actual or estimated) arising from uncollectable customers accounts and other claims, related costs, and related legal costs.

(c) Construction

Not allowable unless specifically provided for in the program legislation.

(d) Contingency Funds for Reserves

Funds for possible future events or conditions arising from presently know or unknown causes, the outcome of which is indeterminable.

(e) Entertainment

Cost of amusement, diversion, social activities, ceremonials, and incidental costs relating thereto, such as meals, lodgings, rentals, transportation and gratuities.

(f) Fines and Penalties

Cost of fines, and penalties resulting from violation of or failure of the institution to comply with Federal, State, and local laws and regulations.

(g) Fund Raising

Costs of organized fund raising including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions.

(h) Interest Costs

Costs incurred for interest on borrowed capital or temporary use of endowment funds is unallowable.

(i) Land or Buildings

Acquisition cost of real property is unallowable (See depreciation and use allowance).

Chapter 8

Public Policy Requirements

A. ENVIRONMENTAL IMPACT

The National Environmental Policy Act of 1969 (NEPA), P.L. 91-190, establishes national policy goals and procedures for protecting and enhancing the environment. The provisions of this act are applicable to activities supported in whole or in part through grants awarded by OHD program offices. However, unless a significant environmental impact is anticipated by the applicant, no specific environmental impact statement is required.

B. USE OF A SMALL BUSINESSES AND MINORITY-OWNED BUSINESSES (GAM CHAPTER 1-46)

Grantees are encouraged to be aware of, solicit, and make use of small businesses and minority-owned businesses in the acquisition of services or products, including alteration and renovation, consultant and other services, and procurement of supplies and equipment. In carrying out this objective, grantees are encouraged to:

1. Become aware of those small business enterprises and minority business enterprises that are competent to provide the services or products that the grantee usually acquires;
2. Ensure that such firms are included in invitations for bids or requests for proposals;
3. Use minority-owned banks; and
4. Make use of the advice and assistance available from Government organizations. This may include the Office of Minority Business Assistance, HEW; Office of Minority Business Enterprise, Department of Commerce; Field Offices of the Small Business Administration and Regional Offices of HEW. The Facilities Engineering and Construction Agency, HEW, and its regional field engineers will assist in identification of minority firms in performing alteration and renovation projects. Additionally, the Small Business Administration publishes a listing of minority firms that have been approved for assistance, and SBA Field Offices can assist in identification of small business sources.

C. CIVIL RIGHTS

Office of Human Development grant programs must be administered in conformance with the Civil Rights Act of 1964, as amended; 45 CFR, Part 80 and Part 81, issued pursuant thereto by the Department of Health, Education, and Welfare, and Section 504 of the Rehabilitation Act of 1973, as amended, which prohibits discrimination against the handicapped. Title VI of the Civil Rights Act of 1964 states that no person shall on the ground of race, color, or national origin, be excluded from participation under any program or activity receiving Federal financial assistance. Every grant applicant is required to submit an Assurance of Compliance (Form HEW 441 or 441B) with its initial application for a grant. No OHD grant awards may be made without an Assurance of Compliance on file with the grant application.

D. HUMAN SUBJECTS (45 CFR PART 46)

1. General

Safeguarding the rights and welfare of human subjects who are involved in activities supported by OHD program grant funds is the responsibility of the grantee. This applies to grantee institutions performing research, development, demonstration or other activities. For the purposes of this policy, a human subject "at risk" is an individual who may be exposed to the possibility of injury, including physical, psychological, or social injury, as a consequence of participation as a subject in any research, development or related activity which departs from the application of those established and accepted methods necessary to meet the subject's needs, or which increases the ordinary risks of daily life, including the recognized risks inherent in a chosen occupation or field of service. The individuals must be protected in accordance with the provisions of HEW Regulations 45 CFR Part 46.

2. Assurance Required

In order to provide for the adequate discharge of this responsibility, all applicants for projects involving human subjects "at risk" must execute a formal assurance that appropriate committees in the aplicant organization will conduct both an initial review of proposals, and a continuing review of supported projects. Guidelines for the establishment and operation of such a system are provided in DHEW Publication No. (NIH) 72-102, the *Institutional Guide to DHEW Policy on Protection of Human Subjects*. The Office of Human Development also requires an annual certification of such reviews. To negotiate the required assurance, applicants must contact the Office for Protection from Research Risks, National Institutes of Health, Bethesda, Maryland 20014.

E. CITIZENSHIP

The Office of Human Development will not intercede in behalf of a non-United States citizen who may be a project director or is otherwise participating on a project and whose stay in the United States may be limited by visa status. Therefore, a grantee institution shall determine, and the application should indicate, that any individual's visa will allow him to remain in the country a sufficient length of time to be productive on the project.

Chapter 9

Grant Closeout, Suspension, and Termination

A. GRANT CLOSEOUT (45 CFR 74, SUBPART M)

Grant closeout is the process by which OHD determines that all applicable administrative actions and all required work of the project have been completed by the grantee and the responsible granting office. In closing out OHD program grants, the grantee must observe the following procedures:

1. Submit, within 90 days after the completion date of the project, all financial, performance, and other reports required as a condition of the grant.
2. Refund or otherwise dispose of any unencumbered cash balance advanced to the grantee in accordance with instructions from the responsible granting office.
3. Account for the disposition of property acquired in whole or in part with OHD grant funds. Such accounting and disposition shall be accomplished in accordance with the provisions of Subpart O, 45 CFR Part 74 and this manual.

Grant closeout should be completed within 180 days after the date of completion of the project. Although grants may be closed prior to a final audit, OHD retains the right to recover an appropriate amount after fully considering the recommendations of any disallowed costs that might result from a final audit. Grants are considered complete when all work under the project is completed or the date appearing on the "Notice of Grant Awarded" document indicating the project ending date has been reached.

Grantees should also be aware of the records retention requirements included in Subpart D, 45 CFR Part 74, and in this manual. Closeout of a project does not affect the time period for records retention.

B. GUIDELINES AND PROCEDURES APPLICABLE TO SUSPENSION AND TERMINATION FOR CAUSE

1. General Consideration

The decision to terminate grant support represents a serious judgment that must reflect a thorough analysis of all relevant factors. It is based on a determination that the grantee has failed to comply with one or more of the terms and conditions of the grant, and that such failure is of sufficient magnitude to warrant the termination of grant support.

2. Initial Contact

When conditions are identified which may be serious enough to cause the granting office to consider termination, the grantee institution shall be advised by letter of the nature of the problem and that failure to correct the deficiency may result in suspension or termination of the grant. The grantee shall respond in writing within thirty (30) days of the date of such letter, describing the action or the plan designed to correct the deficiency.

3. Suspension

If a satisfactory written response to the letter described above is not received within thirty (30) days of the date of such letter, the granting office may issue a notice suspending authority to obligate grant funds in whole or in part. The notice of suspension will be sent by certified mail (return receipt requested), shall be set forth the effective date of the suspension and shall identify any costs which may be incurred by the grantee during the period of suspension.

A suspension shall remain in effect until (a) the grantee has taken satisfactory corrective action, or (b) the grantee has given assurances that corrective action will be taken or (c) OHD terminates the grant. Pursuant to (a) or (b) above, the suspension shall be lifted only by written notice from the granting office.

4. Termination Action

Termination action will normally be taken after a suspension has been in effect for a reasonable length of time without correction of the deficiency. If circumstances warrant, however, termination action may be taken in lieu of a suspension (but after a 30-day period to take corrective action has expired).

5. Accounting Requirements

Within 90 days after the effective date of termination, the grantee shall furnish a final financial status report. Within 30 days of a request therefore, the grantee shall remit to the OHD any amounts found due. If a request for review is filed under the OHD Grant Appeals Procedure, no grant closeout actions may be taken pursuant to the notice of termination until such request has been disposed of, except that the filing of the request does not affect the authority to suspend assistance during the grant appeals proceedings.

C. PROCEDURES APPLICABLE TO TERMINATION ON OTHER GROUNDS

1. Termination by OHD with Consent of the Grantee

When the granting office wishes to terminate grant support with the consent of the grantee, both parties shall agree upon the termination conditions, including the effective date, and, in the case of partial termination, the portion to be terminated. All such agreements shall be in writing and signed by the authorized grantee institution official and the responsible official of the granting office.

2. Termination by the Grantee

When the grantee wishes to terminate grant support unilaterally, the authorized grantee official shall provide written notification to the granting office, setting forth the reasons for such termination, the effective date, and in the case of partial terminations, the portion to be terminated. The responsible granting official shall provide the grantee with written acknowledgment of the notice and written instructions regarding termination or close-out procedures.

Appendix A

GRANTS MANAGEMENT AND BUDGET OFFICERS OFFICE OF HUMAN DEVELOPMENT

REGION I
Grants Management and Budget Officer
Office of Human Development, DHEW
JFK Federal Building
Room 1500
Boston, Massachusetts 02203

REGION II
Grants Management and Budget Officer
Office of Human Development, DHEW
Federal Building
26 Federal Plaza
New York, N.Y. 10007

REGION III
Grants Management and Budget Officer
Office of Human Development, DHEW
3535 Market Street
Philadelphia, Pennsylvania 19101

REGION IV
Grants Management and Budget Officer
Office of Human Development, DHEW
50 7th Street, N.E.
Atlanta, Georgia 30323

REGION V
Grants Management and Budget Officer
Office of Human Development, DHEW
300 South Wacker Drive
15th Floor
Chicago, Illinois 60636

REGION VI
Grants Management and Budget Officer
Office of Human Development, DHEW
Fidelity Union Tower – Room 500
1507 Pacific Avenue
Dallas, Texas 75202

REGION VII
Grants Management and Budget Officer
Office of Human Development, DHEW
Twelve Grand Bldg. – 5th Floor
Kansas City, Missouri 64106

REGION VIII
Grants Management and Budget Officer
Office of Human Development, DHEW
1961 Stout Street – Room 11037
Denver, Colorado 80202

REGION IX
Grants Management and Budget Officer
Office of Human Development, DHEW
Federal Building
50 Fulton Street
San Francisco, California 94102

REGION X
Grants Management and Budget Officer
Office of Human Development, DHEW
Dexter Horton Building
710 Second Avenue
Seattle, Washington 98101

HEADQUARTERS
Grants Officer
Office of Human Development, DHEW
South Portal Building
Room 341F
200 Independence Ave. S.W.
Washington, D.C. 20201

Appendix B

OHD DISCRETIONARY GRANT PROGRAMS COVERED BY OMB CIRCULAR A-95

CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER	PROGRAMS OR ACTIVITIES COVERED BY OMB CIRCULAR A-95
13.600	Child Development - Head Start
13.612	Native American Programs - Grants to Support Urban Indian Programs
13.623	Runaway Youth Projects
13.628	Child Development – Child Abuse and Neglect Prevention and Treatment
13.631	Developmental Disabilities – Special Projects
13.632	Developmental Disabilities – Demonstration Facilities and Training
13.634	Special Programs for the Aging – Title III, Section 308, Model Projects on Aging
13.637	Special Programs for the Aging – Training Grants to States for In-Service Training

Part II
Office of Child Development

OFFICE OF CHILD DEVELOPMENT

The policies, procedures and guidelines set forth in this Part apply to grants awarded by the Office of Child Development (OCD). The Part is further divided into subparts which relate to the individual programs funded by OCD *e.g.* Head Start, Child Welfare Research and Development, and Child Abuse and Neglect Prevention and Treatment. These directives relate to specific requirements and provisions included in the various OCD program regulations or statutes. Therefore, they either supplement or deviate from and take precedence over the administrative policies, procedures and guidelines included in Part I of this manual. Where an administrative matter is not discussed in the applicable program subpart, the policies contained in Part I shall apply. Therefore, OCD grantees should be cognizant of both Part I and the applicable OCD program Subpart of this manual to have a complete understanding of applicable administrative requirements.

Subpart A

Child Development - Head Start

REFERENCES TO PROPOSED RULES

Various policies stated in this Part are based on proposed rules which, when finalized, will be codified in 45 CFR Part 1301. They were published in the *Federal Register* on May 5, 1976. They are, however, subject to modification prior to publication as final rules. Until they are published as final rules, they are not, per se, controlling or currently applicable. The proposed rules referred to in this Part reflect policy now in effect which, as such, is controlling.

Chapter 1

Application, Review, Award and Amendment of Grants

A. APPLICATION REQUIREMENTS UNDER THE HEAD START PROGRAM

1. SUBMISSION OF APPLICATIONS

a. New and Supplemental Grants

Applications for grants to support new Head Start projects or to supplement existing projects may be submitted at any time.

b. Continuation Grants

Applications for grants to continue project support beyond the initial budget period will be provided to grantees at least six months prior to the beginning date of the next budget period. Applications must be submitted by the grantee at least 90 days prior to the start of the new budget period.

Chapter 2

Cost Sharing, Matching and Payments

A. MATCHING REQUIREMENTS FOR HEAD START PROJECTS

1. GENERAL DISCUSSION

In accordance with the provisions of 45 CFR 1301.4-1, Federal financial assistance for a Head Start project shall not exceed 80 percent of the approved costs of the project. Specific provisions regarding composition of the nonFederal share, valuation of contributions, and record requirements are included in the "Cost Sharing, Matching and Payment" Section of Chapter 2, Part I of this manual.

2. INCREASE IN FEDERAL SHARE

Under certain circumstances, Federal financial assistance for a Head Start project may exceed the limitation indicated in paragraph A above. Specific provisions regarding eligibility for an increase in the Federal share and procedures for applying for such an increase may be obtained from the appropriate granting office.

3. LIMITATION ON ALLOWABLE MATCHING COSTS

Costs allowable as nonFederal share contributions to Head Start projects are limited to those project costs specified in Part I, Chapter 2, of this manual. Head Start grantees may not use an excess of nonFederal contributions to other Federally assisted projects as matching contributions to Head Start projects.

Chapter 3

Financial and Administrative Requirements

A. AUDITS

1. GENERAL DISCUSSION

In accordance with the provisions of 45 CFR Part 1301.3-3, each Head Start grantee shall perform, or cause to have performed, an annual audit to determine (1) whether the grantee is complying with the terms and conditions of the grant, including the applicable laws, regulations and directives; and (2) whether appropriate financial and administrative procedures and controls have been installed and are operating effectively. Head Start grantees shall include their delegate agencies' administration of Head Start projects within their own annual audit or shall provide for separate independent audits of delegate agencies. The audit and the report of audit will be performed in conformance with the *Audit Guide for Head Start and Other Child Development Programs*, and/or such other instructions as may be prescribed.

2. AUDITOR SELECTION

Examinations in the form of audits or internal audits of grantees' financial transactions shall be made by individuals who are sufficiently independent of those who authorize the expenditure of project funds to produce unbiased opinions, conclusions or judgments. Generally, if the grantee is a private agency, the services of an independent certified public accountant, or independent licensed public accountant, certified or licensed by a regulatory authority of a State or other political subdivision of the United States, shall be secured. If the grantee is a local public agency or if its accounting records are maintained by a State or local public agency, the auditing official or official governmental auditing agency which customarily conducts the agency's audits may be substituted for an independent auditor provided that the audit is conducted in compliance with the provisions of the *Audit Guide* and other applicable instructions.

The grantee shall furnish the auditor with copies of appropriate project documents, and all applicable OCD and OHD directives, including this manual.

3. PERIOD OF AUDIT COVERAGE

The annual audit shall cover the immediate prior budget period of the Head Start project. A Head Start grantee may, however, submit a written request for a different coverage period (e.g., a grantee's fiscal year). The granting office, upon consideration of the request, may provide written approval to the grantee.

4. SUBMISSION OF AUDIT REPORT

The annual audit shall commence after the close of the budget or other approved period in time for the audit to be completed and the audit report to be submitted by the grantee within four months after the close of the budget or other period. The grantee shall transmit

seven (7) copies of the annual audit report to the appropriate Regional Audit Director, and two (2) copies of each such report to the Grants and Contracts Management Division, Office of Administration and Management, Office of Human Development for grants awarded by the Central Office, or two (2) copies to the Grants Management/Budget Office in the Regional Offices for grants awarded by the regions.

5. RESPONSE TO AUDIT FINDINGS

When requested to do so, grantees shall respond in writing to observations and recommendations in annual audit reports within thirty (30) calendar days from the date the grantee is notified of the findings and recommendations, unless an extension of time is expressly granted. In the response, the grantee may take exception to particular findings and recommendations. The rationale for such exceptions should be clearly set out in the response. The response should point out corrections already made and state what action is proposed and the estimated completion date of such action. Although the grantee need not send all documentation supporting corrections, unless requested to do so, documentation of actions taken must be available for review during later audits.

The grantee's response and any additional requested information will be considered in determining whether specific expenditures of grant funds or contributions to the nonFederal share should be allowed or disallowed. The responsible granting office official will send the grantee a written notice of the determination to allow or disallow expenditures. Unless the grantee appeals a disallowance determination within thirty (30) calendar days after the postmark date of the notice, the determination will become final.

In those instances where no adverse findings have been identified, the grantee will be notified that the audit report submitted is acceptable and no further action is required.

6. APPEALS

Grantees may appeal determinations to disallow costs resulting from audits in accordance with the appeals procedures set forth in Chapter 3, Part I of this manual.

7. SATISFACTION OF FINAL AUDIT DISALLOWANCES

Unless the grantee receives written notice granting an extension, all final disallowances shall be satisfied within ninety (90) days of the date on which the disallowance becomes final. Grantees will be instructed in writing how to satisfy final disallowances. Failure by the grantee to satisfy a final disallowance or take corrective action to remedy deficiencies in its accounting system and internal controls, may result in suspension, termination, or other remedial action. The United States reserves the right to bring suit or take other appropriate legal action to recover the amounts in question.

B. ACCOUNTING SYSTEM CERTIFICATION

1. General Discussion

In accordance with the provisions of 45 CFR Part 1301.3-4, grantees must comply with the standards for financial management systems set forth in 45 CFR 74, Subpart H in order to receive or continue receiving financial assistance under the Head Start program. In determining whether an applicant can adhere to these standards, the applicant may be requested to submit an accounting system certification. Generally, applicants who have had past experience in administering other Federal grants will not have to further demonstrate that their financial management systems are in compliance with Subpart H of 45 CFR 74.

However, they may be requested to do so in individual cases. The accounting system certification states that the applicant and its delegate agencies have established an adequate accounting system with appropriate internal controls to safeguard assets, check the accuracy and reliability of their accounting data, promote operating efficiency and encourage compliance with prescribed management standards set forth in Subpart H of 45 CFR 74 and any additional fiscal and accounting requirements established by OCD and/or OHD.

The certification may be furnished by an independent certified public accountant, an independent State-licensed public accountant, or, in the case of a public agency, the appropriate public financial officer who accepts responsibility for providing required financial services to the applicant. A form which serves as accounting system certification will be furnished to applicants as appropriate.

2. New Applicants

An applicant for an initial Head Start grant shall submit an accounting system certification to the granting office when requested to do so. Applicants who are unable to obtain the certification should forward a statement of explanation to the granting office. The granting office may process the application without the statement where it can reasonably be expected that the statement will be furnished at or before the commencement of the initial budget period (e.g., when a new organization's accounting system is still in the process of development at the time of application). *In no event, however, will the grant be awarded until the proper statement has been submitted.*

3. On-going Grantees

Although accounting system certifications are usually required prior to the initial Head Start grant, there may be instances when a new certification will be required from an on-going grantee (for example, when there has been a significant increase in the amount of Head Start funds provided, or annual audits indicate severe fiscal problems). An on-going grantee will be notified in writing if a new certification must be submitted.

4. Delegate Agencies

Prior to a release or commitment of any project funds to a new delegate agency, a grantee must receive from that agency an adequate accounting system certification. This certification must be retained by the grantee and need not be transmitted to the granting office unless requested. Any funds released in violation of the requirement stated in this paragraph may be disallowed as a charge against the project.

C. INSURANCE REQUIREMENTS FOR HEAD START GRANTEES

1. General

In accordance with the requirements of 45 CFR 1301.3-2, private nonprofit Head Start agencies and their delegate agencies shall be covered by adequate student accident insurance, liability insurance for accidents on the agencies' premises, and transportation liability insurance. Student accident insurance shall cover medical costs and death benefits for accidents during program hours and periods immediately preceding and following program hours. It shall also cover official activities, such as field trips away from agency premises and at times other than program hours. Liability insurance shall cover the staff and the agency for liability for accidents to children, staff, volunteers, parents and visitors on the agency's premises.

There shall be adequate transportation liability insurance covering the agency, owners, and drivers of all vehicles utilized for the provision of transportation services in the Head Start program. When the agency provides the vehicle or vehicles, the cost of transportation liability insurance, including collision, is an allowable item of program costs. When the vehicles are publicly owned, or if they are privately owned, only the amount of the costs of transportation liability insurance attributable to use of the vehicles in the Head Start program is an allowable item of program costs.

2. Limitations of Coverage and Selection of Carrier

The amount of liability coverage carried by a private nonprofit Head Start grantee or delegate agency may vary depending upon the number of children served and the types of services provided. Grantees and delegate agencies should avail themselves of the services of an independent insurance agent or broker for advic and assistance in obtaining the proper coverage. Grantees must comply with all applicable State and local insurance requirements.

D. PERSONNEL ADMINISTRATION STANDARDS FOR HEAD START GRANTEES

Head Start regulations require grantees to establish personnel administration policies and procedures which must be issued or made available to all grantee and delegate agency employees (45 CFR 1301.6-2). These policies must include written standards related to conflict of interest (45 CFR 1301.6-6), nepotism (45 CFR 1301.6-8), and political activities (45 CFR 1301.6-9). Therefore, Head Start grantees must develop personnel policies which include all the items identified in the Personnel Administration Guidelines section of Chapter 3, Part I of this manual in order to satisfy OCD regulatory requirements.

E. GUIDELINES AND PROCEDURES ESTABLISHING WAGE COMPARABILITY

1. General Discussion

In accordance with the provisions of 45 CFR 1301.6-3,

> "persons employed in carrying out Head Start programs shall not receive compensation at a rate which is (1) in excess of the average rate of compensation paid in the area where the program is carried out to persons providing substantially comparable services, or in excess of the average rate of compensation paid to persons providing substantially comparable services in the area of a person's immediately preceeding employment, whichever is higher or (2) less than the minimum wage rate prescribed in section 6(a)(1) of the Fair Labor Standards Act of 1938."

The chief purpose of this provision is to assure that grantee salaries and wages are, in all cases, equitably established and comparable to the local community wage structure and economic circumstances. This provision applies to all full and part-time Head Start employees whose salaries are supported by Head Start project funds.

2. Minimum Wage Requirement

All Head Start grantees and delegate agencies are required to pay employees at least the Federal minimum wage.

3. Comparability Exceptions

a. *Previously Employed in Higher Wage Area*

In some instances an employee may be paid a salary which is higher than the local comparable wage. Certain employees may be paid at the average rate of compensation for persons providing substantially comparable services in the area of the employee's immediately preceding employment. This applies to employees who have been previously employed in a higher wage area than that of the grantee. The purpose of this provision is to make it possible for grantees in low wage areas to employ competent employees from higher wage areas. Grantees should exercise caution in using this standard as a basis for establishing salary comparability. If the employee involved leaves the employ of the grantee or delegate agency, the salary for that position or class of positions will have to be determined anew. Also, excessive use of this basis for determining comparability can result in serious inequities in the overall salary structure.

b. *Experts and Consultants Exceptions*

Experts and consultants who are independent contractors or who work for independent firms and who perform services on an intermittent or occasional basis are not covered by the comparability requirement.

c. *Established Civil Service/Merit Systems*

Some grantees or delegate agencies are part of long-established public or private agencies which apply a civil service or other merit system to Head Start-supported employees. In these instances, all positions covered under such civil service or merit systems will be deemed comparable and no extensive organizational review, position analyses, or comparability determinations will be necessary – provided that these employees are filling positions or types of positions in existence before the agency or institution received a Head Start program grant and that the salary scale has not been changed as a result of the Head Start grant.

4. Comparability Determination Procedures

The following are suggested means for undertaking wage comparability determinations. Methods for establishing wage comparability will vary among grantees and delegate agencies, although every grantee and delegate agency should already be utilizing a rational system for determining appropriate salaries and wages.

a. *Organizational Review*. Review organization plan and job descriptions to insure currency and direct relationship to missions and functions. Position descriptions should accurately portray the nature of jobs and the various positions should be clearly related to each other in a rational pattern. Larger agencies may already be utilizing a well-established job classification system.

b. *"Bench-Mark" job identifications*. Identify "bench mark" jobs at several levels in the organization for which local comparability can be determined and in relationship to which compensation for other jobs may be set. Obviously, the salary of the Director will generally be a bench mark position in setting salary scales for lower level positions. Grantees are cautioned, however, not to use the Director's position or any other position as a bench mark if the incumbent's salary is not related to local wages, but rather to the area of his immediately preceding employment. At the low end, employees to be compensated at the minimum wage rate will be bench mark positions.

c. *Local Source Data*. In most communities several local sources are available for consultation in determining comparability.

(1) Published Wage Surveys. The Bureau of Labor Statistics (BLS) publishes survey reports which are particularly valuable in establishing wages for office, maintenance and custodial jobs and should be a prime source for information on these jobs in the major metropolitan areas for which such material is available. When published sources of salary data are used, the grantee should remember that the precise salary figure may not be an exact guide to the salary which should be paid, since adjustments may be needed because of the experience and expertise of the particular employee. A salary survey generally presents an average rate or range for a number of employees occupying a position; thus the entry rate for that position should generally be set lower, and the rate for an employee with long experience and considerable expertise may be higher.

(2) Local State Employment Offices. Local offices of the State Employment Service may have unpublished information on local wage scales.

(3) Local Government. Local city or county governments will have data on local public pay scales and may know of local wage surveys not obtainable elsewhere. In most instances, local public pay scales should be used as the standard for rates for teachers.

(4) Other Local Agencies. Other local agencies may employ persons in substantially comparable jobs. The grantee may wish to make an informal check with a few agencies which employ persons in positions comparable to those of the grantee. The grantee or delegate agency should not use local agency sources when this information is available from sources (1), (2) or (3) above.

d. *State Government Data*. If local data for some positions is not available from any of the above sources or if the only comparable jobs are in the State government, the grantee should look to Statewide sources. Some State Employment offices will have wage analysts, and State governments through their personnel departments will usually be able to provide the salary schedules for State employees.

e. *National Data*. If the grantee can discover neither local nor State data on a certain position or group of positions after exhausting the above sources, or if persons are required with such unusual skills that the labor area for the skill is nationwide, the grantee may then check national data to verify that the salary planned for that position is reasonable. However, any rate based on national comparability should be adjusted to relate to a bench mark position for which local comparability has been established, and this may require an adjustment in accordance with the local cost of living.

f. *Fringe Benefit Consideration*. Adjustments may be indicated if employees in comparable positions are paid fringe benefits which significantly exceed the benefits payable to grantee employees, or if the reverse is true. However, information about fringe benefits paid to employees in comparable jobs may not be readily available and in such cases it will not be required that a detailed comparison be made. If the information is obtainable it should be considered when establishing comparability.

5. Documentation

Grantees and delegate agencies are required to document the methods by which wage comparability was established. Such documentation shall be available in the grantee's files for review by HEW audit and inspection personnel and personnel of the General Accounting Office. The documentation maintained shall include:

(1) The procedure used to review the organization plan and position descriptions;

(2) An explanation of how "bench mark" positions were identified;
(3) An explanation of any procedures used to obtain State, local, or National data on non-bench mark positions and the way in which such positions are related to the bench mark positions; and
(4) Copies of any certifications or back-up information – e.g. a statement by a local survey facility.

F. LABOR STANDARDS

In accordance with the requirements of 45 CFR 1301.6-10, all laborers and mechanics employed by contractors or subcontractors in the construction, alteration or repair, including painting or decorating, of buildings or other facilities in connection with Head Start projects shall be paid wages at rates no less than those prevailing on similar construction in the locality, as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 USC 276(a)).

G. APPEALS PROCEDURES UNDER HEAD START PROGRAM

1. Expenditures Appeals

Head Start grantees may appeal a disallowed expenditure or a disapproval of a written request to incur an expenditure. Such adverse decisions must be appealed in accordance with the provisions of 45 CFR Part 16. Prior to instituting the formal appeal process established by Part 16, the grantee must exhaust the informal appeal procedures outlined in the "Financial and Administrative Requirements" Section in Chapter 3, Part I of this manual.

2. Appeals of Termination, Suspension and Denial of Refunding

Head Start grantees may appeal a decision to suspend a grant, terminate grant support, or to deny refunding to a project. Such appeals must be accomplished in accordance with the provisions of 45 CFR Part 1303.

H. DELEGATION OF PROGRAM OPERATIONS

Delegations of program operations under a Head Start grant must have specific prior approval by the appropriate granting office. A budget for each delegate agency must be submitted as part of the grant application. Approval of the grant application and budget will constitute OHD approval of the delegation of program operations by the applicant. Such arrangements shall be formalized by written agreement between the grantee and delegate agency and must be on file in the grantee's office.

Chapter 4

Reporting Requirements

A. REPORTING REQUIREMENTS FOR HEAD START GRANTEES

1. GENERAL DISCUSSION

In accordance with the requirements of Subpart I, 45 CFR Part 74 and the "Reporting Requirements" Section of Chapter 4, Part I of this manual, Head Start grantees are required to submit the following financial reports:

a. Financial Status Report
b. Report of Federal Cash Transactions

Each of the above reports must be submitted quarterly. The "Financial Status Report" is due not later than 30 days following the end of the quarter. The "Report of Federal Cash Transactions" is due not later than 15 working days following the end of the quarter. In addition, each grantee must submit, along with the "Financial Status Report," a program progress report. Instructions for the completion of this report will be furnished by OCD.

2. REIMBURSEMENTS FROM OTHER FEDERAL AGENCIES

Head Start grantees who are reimbursed by other Federal agencies for grant supported activities (e.g. Dept. of Agriculture payments for nutrition activities) should report such reimbursements in the Remarks section (Item 12) of the "Financial Status Report" citing the amount of funds received and the source. If such funds replace Head Start grant funds originally budgeted for the same purpose, and result in an unobligated grant balance at the end of the report period, they should also be included in Item 10-m of the report.

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